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Cuba

Minister Stresses Consistency of Social Security Laws

FL2002015595 Havana Radio Reloj Network in Spanish 2030 GMT 19 Feb 95

[FBIS Translated Text] Salvador Valdez, member of the Politburo and minister of Labor and Social Security, stated in Las Tunas Province that no citizen will be forsaken, particularly among the lower income sectors. Valdez, who conducted an extensive tour of the province, added that recent economic measures are part of an orderly, organized, and carefully implemented program. He pointed out that the program is under constant review and keeps social security and welfare recipients in mind. Valdez explained that no changes are foreseen for Law 24 on retirement, which means that all the regulations established on this matter remain unchanged, although higher social security contributions are required. The annual social security budget is more than 1 billion pesos.

Valdez stressed the need to achieve higher levels of economic efficiency nationwide.

New Defense Year Ceremonies Across Nation

FL2002142895 Havana Radio Rebelde Network in Spanish 1000 GMT 20 Feb 95

[From the "Doing Radio" program]

[FBIS Translated Text] The onset of the new defense training year was observed nationwide with full combat readiness and the commitment to prioritize the food production program, economic and social tasks, the construction of civil defense tunnels, and training in general.

The mountain region of Maisi, Guantanamo Province, hosted the provincial ceremony and the main activities aimed to increase practical training for the leaders of enterprises, and political and mass organizations.

At 26 de Julio Square in Sancti Spiritus, Pedro Saez Montejo, first secretary of the Communist Party of Cuba [PCC] in the province, stressed the primary economic and social tasks undertaken in the region, and called for increasing the quality of the training of the troops.

A Defense Day ceremony was also held in the town of La Bayita, between Florida and Camaguey cities. Bernardo Nieves, president of the Provincial Assembly of the Peoples' Government, listed the main defense training goals for 1995. Julian Rizo, president of the defense council and first secretary of the PCC in the province, presided over the ceremony with Jose Ramon Fernandez, vice president of the Council of Ministers, and Brigadier General Ubelio Betancourt, chief of the General Staff of the Eastern Army.

Official Previews Economists' Association Congress

FL1802015195 Havana Radio Rebelde Network in Spanish 1800 GMT 17 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] Approximately 300 grassroots delegates and 100 guests will participate in the Cuban Economists Association's fourth congress 26-28 February. The official announcement was made at a news conference on 16 February, during which Roberto Guerrier, president of the commission organizing the congress, discussed the event's significance. He said that this congress will be very different from past congresses, in light of efforts to change the methodology since 1992 and after having implemented and supported the recent Cuban changes and measures. Guerrier reminded that delegates will be meeting nationwide on province-specific economic issues. Topics for the congress commissions, which represent all provinces, were also announced at the news conference:

[Begin Guerrier recording] The Association plans to discuss six specific and fundamental economic topics during the congress: the new agricultural system, reorganizing and resizing the Cuban economy, business organization and procedures, efficient use and control of the budget, restoration of national finances, and licensing [registro] and economic control. This will not be just another congress. You have my word that this congress will make Cuban economists, accountants, and others stronger. [end recording]

The slogan of this congress, which aims to bring economists closer to grassroots levels, is: For Cuban Economic Efficiency and Productivity. All of the views presented during the meeting will be recommended to the highest government levels.

Union Workshop on Economic Efficiency Presents Awards

FL2002184395 Havana Radio Rebelde Network in Spanish 1800 GMT 18 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] The first union workshop on economic efficiency has called Havana workers to debate at their respective efficiency assemblies ways to become profitable in 1995.

At the workshop, organized by Havana's Cuban Workers Federation, a Best Economic Efficiency plaque was presented to 19 work centers, including the Havana's Construction Ministry department. During the closing address, Esteban Lazo, first secretary of the Communist Party of Cuba in Havana, pointed out that despite the economic progress attained during 1994, there is still much more to do ahead.

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[Begin Lazo recording] We have to add that progress was made last year on a number of aspects, however, we cannot say that enough progress was made on every aspect. At times one hears the widespread opinion: Well, we have so many enterprises with reliable accounting, however, one must ask: Can there be any other type of accounting but reliable? If it is not reliable, it is not accounting. Therefore, we have to stress here that we have to rigorously implement rigorous accounting in each and every one of our enterprises. Otherwise, what efficiency and economy control are we talking about? What possibilities to conduct an analysis of profits are we talking about if we do not have reliable accounting? We have to discuss the implementation of true accounting because, I repeat, that which is not reliable is not accounting. [end recording]

Eight of the 19 centers awarded belong to the construction sector.

Alfredo Jordan Discusses Farmers' Markets

FL2002011295 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 19 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] Alfredo Jordan Morales, member of the Politburo and minister of Agriculture, stated in Pinar del Rio that it is still too early to assess the effect of the farmer's markets on food production. Jordan stated: However, a slight [passage indistinct] can be seen [passage indistinct] among state or private farmers to plant every field. Regarding the inflated prices found at the markets, Alfredo Jordan insisted that this cannot be regulated by decree because such a market system is ruled by the law of supply and demand.

[Begin Jordan recording] Logically, prices must be regulated by an increase in production because all the forms of production participating in the farmers' markets, from the individual producing a certain amount of product in his backyard to state farms to the enterprises' self-supporting farming efforts, are participating in the market on the base of the supply and demand principle. [end recording]

Regarding the Agriculture Ministry's commitment to reduce losses this year, and its connection to farmer's market sales, he added:

[Begin Jordan recording] First of all, the state enterprises and all the other forms of production follow a plan, have a contract with the state, and can sell at the markets only after fulfilling that contract with the state. Today, 80 percent of the production allocated for distribution to the population is sold in the local groceries. An example of this is that to date, since the creation of the farmers' markets, only 19 percent of the production has been allocated for the markets, and the other 81 percent is distributed to the population. Also, there are established principles, there is a law, there is discipline, and we are not going to resolve the issue of agricultural subsidies through the farmer's markets. [end recording]

Jordan pointed out that in 1994, agriculture subsidies were reduced approximately 50 percent and that this year, thanks to higher organization and more efficiency, the ministry has more ambitious goals.

Camaguey Electric Plant Receives Quick-Response Award

FL2102025095 Havana Radio Rebelde Network in Spanish 0000 GMT 21 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] The Cuban Workers Federation has granted workers of the Diez de Octubre electric plant in Camaguey an award banner for their quick, competent response in repairing a serious breakdown in September 1994. The unit was back in operation in only eight days, thanks to the efforts of electricians and construction workers.

Diez de Octubre electric plant has increased power generation from 150 megawatts to 330 megawatts in the past 15 months, and has reduced oil consumption. Julian Rizo Alvarez, member of the Politburo and first secretary of the party in Camaguey, presented the award.

Preparatory Process for FEU Congress Begins Nationwide

FL2002031695 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 20 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] The preparatory process for the Fifth Congress of the Federation of University Students [FEU] has begun at teaching institutes nationwide. The Frank Pais Higher Education Institute in Santiago de Cuba held the fifth FEU Congress assembly, which called for a review of the resolution authorizing career changes to eliminate the practice of students using the teaching institutes as a springboard to enter other higher education institutions. The assembly also agreed on the need to expand publication of research results and to strengthen the knowledge of Marti's works.

[Begin unidentified student recording] In his article, Wandering Teachers, Marti said that a teacher's main task was not to teach, but to share with the students. One of the main things that shapes a student's character is rather than imparting traditional knowledge, trying to motivate the student to develop a conviction of the importance of the history of Cuba in preserving our revolutionary process. [end recording]

The students at this teaching institute conducted an in-depth analysis of the existance of some cases of academic fraud and called for a fight against this. Education Minister Luis Ignacio Gomez affirmed that one way to eliminate fraud is to improve the teachers' training.

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FEU President Otto Rivero evaluated the progress of the preparatory process for the Fifth FEU Congress.

[Begin Rivero recording] I believe the process is moving well throughout the country. This is our opinion, and as a matter of fact, the teaching institutes have begun the process. This is a very important step prior to the plenum to be held 23 to 25 March, coinciding with a very important historical date, the centennial of Marti's signing of the Montecristi Manifesto, and the 93d birthday of Jose Antonio Mella on that same day. I believe this is the best gift we can give Mella and Marti with this Fifth Congress. Today's assembly here in Santiago de Cuba is an example of this. Problems, difficulties, and deficiencies have been discussed in a thoroughly revolutionary manner, and the students have made a resolute commitment to actively participate in the solution to all these problems. [end recording]

Journalists Debate Women's Equality in Changing Times

FL2002215295

[FBIS Editorial Report] Havana Radio Rebelde Network in Spanish at 1700 GMT 20 February carries its program "Straight Talk" with guest Renato Recio from TRABAJADORES and host Juan Carlos Roque Garcia on the issue of women and the new social and economic relationships.

Recio begins by stating: "We are in the special period and as everyone knows, we are implementing significant transformations in the economy that result in changes in the social sphere and in relationships among people in general. One of the premises for successfully navigating this difficult period is to preserve the Revolution's accomplishments as much as possible."

Recio adds that one of the Revolution's main accomplishments was equality for women, a sector broadly exploited for centuries. He admits that full equality was perhaps not truly attained, but that efforts have made women equal to men in terms of rights. Roque remarks that the new conditions might affect woman's position in society, to which Recio adds that transformations are going to be "more acute, faster, and deeper." Roque says this explains the "concerns of social organizations that are beginning to foresee these dangers." Recio comments that "the common denominator for these transformations is an approximation to market relationships, altnough not to the extreme of the typical market societies. Yet, the market is undoubtedly going to play an ever more active role in the Cuban economy." Recio goes on to explain that labor relations will somewhat follow the market principles of supply and demand, "thus the great danger" of having someone make hiring decisions involving equally qualified men and women, when men are hired over women "because men do not get pregnant, do not have health problems like women, and generally do not rear the children."

Roque adds that "as reporters and men, we are greatly concerned by this foreseen danger for women in light of the changes the country is experiencing." Roque and Recio go on to discuss the continued role of the Federation of Cuban Women [FMC] under the new circumstances, and add that this looming problem is also a concern of the unions since women are a good portion of Cuba's trained labor force and "the unions cannot tolerate labor discrimination and inequalities because women have shown great talent in every field."

Roque and Recio warn that to prevent discrimination against women, vigilance must be observed from the onset since many enterprises are undergoing a downsizing process. Recio adds that social awareness is the most important tool "to preserve the sacred principle of women's equality," and that women must also fight "against trends that appear dazzling in the short term, but deep down are forms of discrimination that undermine the value of women." Recio stresses that both sexes are equally responsible for "preserving equality because the economic relations being established are not what we wish we could do—Cuba has never believed that extreme market policies are a solution—but we are being forced to implement certain openings, certain measures which while saving us, engender other risks, such as the loss of the accomplishments of women's equality."

Roque points out that many men in charge of production resources will unfortunately choose to hire men over women despite the union's view that selection should be based on true qualifications. Recio explains that "many joint enterprise managers might tend to hire only men, only young people, only good-looking people, etc." Roque and Recio agree that this is a trait of the "classic capitalist society, which is chauvinistic and discriminatory."

Recio and Roque close the program by stressing the weight this issue should carry in the debates of the forthcoming FMC congress, as well as the 17th Congress of the Cuban Workers Federation. The two journalists concur that discrimination against women is a threat, although not yet a crisis. Recio concludes by stressing the "need to prevent losing that revolutionary accomplishment—equality for women" and labor's capacity for allowing women to self-actualize.

Editorial Examines Labor Force Reorganization

FL2002220995 Havana Radio Rebelde Network in Spanish 1800 GMT 20 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] Today TRABAJADORES newspaper published an editorial analyzing reorganization of the labor force in work centers, which states that Cuban society is required to deal with employment and its full economic ramifications in such a way that salaries are justified by results. The editorial points out that labor reorganization and the creation of employment sources is currently, and has for several years been a basic union issue, which in turn emphasizes the specific importance of creating useful, low-cost emergency employment sources

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in industries that are currently half paralyzed. The editorial specifies that sugarcane and non-sugarcane agriculture is the largest, most useful source of employment in present-day Cuba, but stresses that for this force to shift permanently to the agricultural sector, it is necessary that the cooperative movement be rewarded for its achievements in the same way as the Basic Cooperative Production Units, in which the workers will be rewarded for their efforts with more earnings and better living conditions.

The editorial also emphasizes that it would be a farce to speak of rationalizing work rosters in the country's state enterprises, the basic entities of which are still operating without achieving consumption norms and cost systems, since it is these, as well as quality, that allow accurate calculation of how many workers are needed in which positions.

The article adds that even though rationalization is a gradual, ordered process, prioritized in the enterprises with material backing that generates foreign currency savings, others should begin working on it now so that each of the aspects contributing to production can improve economic results. Lastly, the editorial states that only where the general criteria of efficiency predominates in practice, and where collective members are educated about the principle, will the reorganization of the labor force be reasonable and possible.

Roundup of Economic Developments

FL1602160595

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 20 February 95.

Two important donations from several European humanitarian organizations were delivered to public health ministry installations and medicine enterprises in Las Tunas. (Havana Radio Progreso Network in Spanish 1200 GMT 13 Feb 95)

Sugar Ministry mechanical enterprises union—formed by enterprises which produce mill machinery spare parts, and take care of repairs, has reported 5 million pesos in profits in 1995, after losses of 6 million pesos were reported in 1994. Engineer Jose Bravo, director general of the union, stated that the recovery was possibly due to workers' efforts, and a new economic policy to cut costs. (Havana Radio Rebelde Network in Spanish 1255 GMT 13 February 95)

Ciego de Avila is expecting a large harvest of over 15,700 quintales of potatoes in the coming campaign with the help of workers from Santiago de Cuba. (Havana Radio Rebelde Network in Spanish 1800 GMT 13 February 95)

Arquitectura 6 enterprise has achieved first place in the construction sector in Havana, due to strict control of costs, and to the use of materials, work force, and equipment. Arquitectura 6 has completed 43 projects in 1994—including the molecular immunology center, and has accrued 8 million pesos in profits. (Havana Radio Rebelde in Spanish 1800 GMT 13 February 95)

The Spanish UNICEF committee has donated $100,000 for the construction of eight aqueducts in the rural areas of Las Tunas Province. (Havana Radio Reloj Network in Spanish 2041 GMT 13 Feb 95)

Calimete Agroindustrial Complex workers in Matanzas has pledged to deliver over 5,200 tonnes of rice in 1995. New measures have been implemented to achieve this goal, stop losses, and accrue over 5,000 pesos in profits. Calimete was able to reduce losses in 1994 by 50 percent, compared to 1993. (Havana Radio Rebelde Network in Spanish 1000 GMT 14 February 95)

Record amounts of beans, melons, and potatoes have been planted during the winter planting campaign on the Isle of Youth, spurred by food self-sufficiency program. State enterprises, Basic Cooperative Production Units, and farmers have planted a record 50 caballerias of beans, doubling the amount planted last season. (Havana Radio Reloj Network in Spanish 1500 GMT 14 Feb 95)

A 10-member cutters brigade in Los Arabos Municipality, Matanzas, has cut 500,000 arrobas of sugarcane, half of the 1 million arrobas they plan to cut by the end of March. (Havana Radio Reloj Network in Spanish 1500 GMT 14 Feb 95)

In Isla de la Juventud, Aereo Taxi, an air-taxi service, has generated $140,000—380,000 pesos—and transported 6,000 passengers during 1994. The service reaches nine points throughout Cuba. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 16 Feb 95)

In Villa Clara Province, the Agroindustrial Complex Osvaldo Herrera has suffered the loss of 41 caballerias of sugarcane which were eaten by livestock belonging to state and private sector livestock farms. The damages have been estimated at over $500,000. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 16 Feb 95)

The 1994 program for self-sufficient food supply in Pinar del Rio schools yielded poor results in supplying food to over 22,000 students of the 74 educational institutions linked to the plan. Only 57 percent of tubers, 76 percent of vegetables, 28 percent of beans, and 74 percent of rice goals were met. (Havana Radio Rebelde Network in Spanish 1000 GMT 16 Feb 95)

The Peru sugar mill in Las Tunas obtained first place in that province, meeting all its goals during the first ten days of February. This was determined in a recent inspection in which the Colombia sugar mill achieved second place followed by the (Majiyacoa) and Antonio Guiteras agroindustrial complexes, while the (Marcel Rodriguez) sugar mill obtained last place. Las Tunas maintains an average delay of 12 days in the production of sugar due to the lack

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of spare parts, and setbacks with the equipment, locomotives, carts, tractors, and railroads. The analysis determined that the Peru sugar mill is operating at 85 percent capacity, followed by the Colombia sugar mill at 83 percent, while the rest of the sugar mills are not operating at the preestablished level. (Havana Radio Reloj Network in Spanish 2046 GMT 16 Feb 95)

Farmers in Guantanamo exceeded the planting goals of vegetables and tubers by 6 percent during the first five months of the winter planting season. Between September and January, the workers have planted 664 caballerias of mixed crops, most of which will be harvested before 26 July. Provincial party leaders praise the efforts of the workers since this year they hope to harvest more than 2 million quintals of different products, twice as much harvested in 1994. (Havana Radio Reloj Network in Spanish 2053 GMT 16 Feb 95)

Representatives of the Federation of Diverse Activities of the Spanish Workers Unions donated 1 million pesetas to the public administration sector in Havana aimed at improving and encouraging efforts of Cuban community service workers. (Havana Radio Progreso Network in Spanish 1200 GMT 17 Feb 95)

The 10 de Octubre sugar mill in Villa Clara, Antonio Sanchez and Pepito Tei in Cienfuegos, and Mario Munoz in Matanzas are the highest sugar producers in the current harvest, each has achieved a yield of over 87 percent. (Havana Radio Progreso Network in Spanish 1200 GMT 17 Feb 95)

UNICEF granted $60,000 to Santiago de Cuba to finance projects aimed at improving water and sanitation systems in rural areas. (Havana Radio Progreso Network in Spanish 1200 GMT 17 Feb 95)

According to the secretariat of the Cuban Workers Federation, 5,600 construction workers, forming 107 brigades, are participating in the current sugarcane cane harvest as cutters, working each day to achieve a short and efficient sugarcane harvest. (Havana Radio Progreso Network in Spanish 1200 GMT 17 Feb 95)

In an economic efficiency assembly held at Havana's Cubarada Orthopedic Laboratory in Playa Municipality, it was announced that the entity did not achieve national vanguard status in 1994 due to 4.9 percent absenteeism rate which resulted in reaching only 80 percent of their projected goal. (Havana Radio Progreso Network in Spanish 1200 GMT 17 Feb 95)

A 20 February, Havana-datelined item reports that TRABAJADORES, a government weekly, has announced Cuba's oil industry produced 1.3 million tons of crude oil in 1994. According to that source, this production permitted the utilization of 934,000 tons of national fuel to generate 27 percent of the electricity produced in the country. (Havana PRENSA LATINA in Spanish 1526 GMT 20 Feb 95)

Commentary Discusses U.S. Republicans, 1996 Election

FL2102181895 Havana Radio Rebelde Network in Spanish 1255 GMT 21 Feb 95

[Commentary by Eduardo Dimas; from the "Doing Radio" program]

[FBIS Translated Text] Twenty one months before the 1996 U.S. elections, the Republican party's presidential hopefuls have begun their campaigns to secure the nomination. Nine candidates are in the running, but only three have a reasonable chance: Senate leader Robert Dole, a moderate conservative with solid ties to the powerful elite; Senator Phil Gramm of Texas; and former Tennessee governor Alexander Lamar [as heard]. Another right wing politician in the race is television commentator Patrick Buchanan; in addition, California representative Robert Dornan, and Alan Keyes, a former Ronald Reagan collaborator. The other three don't even bear mentioning. Of all the candidates, Robert Dole has the best chance of winning the nomination. The Republican party's ability to apply pressure arises from the evident fact that, at least until now, and in spite of the improved economic conditions in the U.S., President William Clinton enjoys very little popularity. If the Republicans win the 1996 presidential elections, they will control the executive and legislative branches of power for the first time since the Eisenhower era, which will facilitate their ability to implement the so-called Contract with America, a conservative political program aimed chiefly at the middle class, which jeopardizes the low income sectors and tends towards isolationism.

As you will recall, among the things that caused the downfall of George Bush in 1992, were the economic recession, and the division in republican ranks dominated at the time by the most reactionary sectors. Now it seems there is a consensus not to approach those issues that may cause divisions or lose votes, such as abortion and school prayer. Patrick Buchanan, perhaps the most recalcitrant of all the hopefuls, is the most likely to touch on these issues.

During a fund raising banquet held 19 February in Manchester, the nine aspiring nominees posed in front of television cameras, shaking hands and smiling, trying to convey an impression of unity that everyone knows is not real. The Democratic party, on the other hand, has no better candidate than President Clinton at the moment. The Democrats have shown signs of internal division which could weaken them, and have no coherent program for its differences between conservatism and liberalism.

In any case, if the well known theory of Arthur M. Schlesinger is true, the next administration will be Republican. According to Schlesinger, after long periods of conservative administrations, the powerful elite promotes a liberal administration to soothe tensions, keeping in mind the orientation of U.S. public opinion which now

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definitely leans towards the right. In practice, this theory has held true over the last 50 years. The conservative administrations of Harry Truman and Dwight Eisenhower, were followed by that of the assassinated John F. Kennedy. Then came the conservative Johnson, Nixon, and Gerald Ford administrations—the first a Democrat, the last two Republicans—followed by the liberal James Carter administration. Last, the 12 years of conservative Ronald Reagan and George Bush administrations were followed by this Clinton administration, which cannot be called conservative or liberal. As we see, long periods of conservative administrations are followed by short periods of liberal administrations, which, due to customary weaknesses, have little likelihood of re-election.

Viewed in advance, these elections promise to be a great show, where Clinton will be highly vilified for his indecision. Each candidate has to raise $20 million in donations so campaign expenses could break all records. We shall see, this is just a preview.

Radio Notes Russian Ministry's Objection to Helms Bill

FL2102154195 Havana Radio Rebelde Network in Spanish 1255 GMT 21 Feb 95

[From the "PRENSA LATINA Headlines" portion of the "Doing Radio" program]

[FBIS Translated Text] The Russian Foreign Ministry on 21 February rejected U.S. pressure on Moscow regarding its relations with Havana in the form of Senator Jesse Helms' proposed Cuban Liberty and Democratic Solidarity Act [Sobre La Libertad y Solidaridad Democratica con Cuba].

Vice Minister Meets Press on Joint Russian, Kazakh Ties

FL1702033195 Havana Cuba Vision Network in Spanish 0100 GMT 17 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] Cuban Vice Foreign Minister Isabel Allende has confirmed that her goals were met during a meeting with Russian businessmen in Moscow. Allende told reporters at the Foreign Ministry that she discussed with the Muscovite businessmen the Cuban investment outlook and investment possibilities, based on the Cuban legislature's changes and readjustments:

[Begin Allende recording] Comrade (?Mamedov) and I discussed our willingness to find ways to continue developing Russo-Cuban relations based on mutual benefit for the two countries and in harmony with Cuban and Russian national interests. [end recording]

Allende, who was accompanied by Cuban experts and officials, also spoke with Almaty authorities. She indicated that ties with Kazakhstan, a country with excellent natural resources, are very promising:

[Begin Allende recording] Kazakhstan is a very rich country and has great potential, considering its raw materials and its natural resources; however, it must find the necessary capital and technology to exploit its natural resources. That is one of its foreign policy priorities. Within that framework, ties with Cuba can and should progress. There is a willingness to continue developing those ties. [end recording]

Ricardo Cabrisas Arrives in Beijing

FL1502015595 Havana Radio Reloj Network in Spanish 2032 GMT 14 Feb 95

[FBIS Translated Text] Cuban Foreign Trade Minister Ricardo Cabrisas arrived today in Beijing to participate in the 8th session of the Cuba-China Intergovernmental Commission for Economic and Trade Relations. Cabrisas heads a Cuban delegation consisting of (Pedro Alters), vice foreign trade minister; Alejandro Carvajal, first deputy chief of the Hydraulic Resources Institute; and other high-ranking officials. According to a source from the Chinese delegation, the Cuban and Chinese delegations will analyze important issues related to bilateral trade, the development of bilateral economic associations, and cooperation in other development projects. Cabrisas will have a very busy agenda, including meetings with the minister of agriculture and the minister of trade and economic cooperation.

Stresses Need To Develop Ties

FL1702014395 Havana Radio Rebelde Network in Spanish 1800 GMT 16 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] The Sino-Cuban economic and trade commission is holding its seventh session in Beijing, with members discussing the need to expand bilateral relations. Cuban Foreign Trade Minister Ricardo Cabrisas said: We want firms and companies involved with Chinese economic reforms and with the Cuban reforms that were implemented two years ago to develop direct ties. The importance of developing economic associations, as well as a proposed accord to promote and protect investments, were discussed during talks on bilateral issues. The PRC has granted a soft loan to strengthen biogas production, to develop livestock and duck breeding, and to plant vegetables. Wu Yi, Chinese foreign trade and economic cooperation minister, reiterated that the Chinese Government places great importance on consolidating and developing trade and economic relations with Cuba, one of the PRC's main Latin American trading partners.

Presides Over Sino-Cuban Session

PA1702230995 Havana Radio Havana Cuba in Spanish 1300 GMT 16 Feb 95

[From the "Morning Information Review" newscast]

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[FBIS Translated Text] Ricardo Cabrisas and Wu Yi, the foreign trade ministers of Cuba and China respectively, have presided over the opening of the Seventh Session of the Sino-Cuban Mixed Economic-Commercial Commission in Beijing. They highlighted the satisfactory progress of their relations and their intent to continue to promote them.

Wu declared that Cuba has been an important commercial partner of China and Latin America, and that China attaches great importance on the consolidation of its relations with the island.

China reported Sino-Cuban bilateral trade totaled $267 million last year, which, in spite of being high, was less than in the first years of this decade. Among the main Chinese products that are exported to Cuba are rice, beans, medicine, and light industry supplies, while the island exports basically unprocessed sugar and medicine to China.

Meets With Counterpart on Cooperation

PA1802193495 Havana PRENSA LATINA in Spanish 1622 GMT 16 Feb 95

[FBIS Translated Text] Beijing, 16 Feb (PL)—Increasing bilateral cooperation was the main topic at the seventh session of the Intergovernmental Commission for Economic and Commercial Relations between Cuba and the PRC, presided over by the respective foreign trade ministers.

Beijing's resolve to continue broadening relations with the island was noticeable at the meeting, Cuban Trade Minister Ricardo Cabrisas has said.

We are preparing for a more direct link between firms and enterprises, in proportion with PRC economic reforms and transformations that have been happening since two years ago in Cuban territory, he has said.

Wu Yi, the Chinese foreign trade and economic cooperation minister, has said her government assigns great importance to the consolidation and development of its economic and commercial links with Havana, based on equality and mutual benefit.

The two ministers spoke of promoting bilateral economic and commercial cooperation.

During the session, Cabrisas informed his counterpart of the results in Cuba of measures to halt the drop in economic growth and of certain signs of recovery.

During the study of bilateral affairs, the importance of developing economic associations was discussed, and it was proposed that parties sign an agreement to protect and promote investments.

The PRC has now approved a soft credit to broaden cooperation with Cuba in projects such as biogas production, goat herd development, duck breeding, and vegetable growth.

Havana is one of Beijing's main trading partners in Latin America. Rice grains, medicines, machinery, electronic products, chemicals, and light industries are among the main items Cuba imports from the Asian country, while raw sugar and medicines are its main exports.

Announces Chinese Delegation Visit

FL2102025395 Havana Radio Rebelde Network in Spanish 0000 GMT 21 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Cuban Foreign Trade Minister Ricardo Cabrisas has announced that the president of the Chinese council for the promotion of international trade Zheng Hongye will travel to Cuba in March. Cabrisas said that Zheng Hongye will head a delegation of Chinese enterprise leaders, who will discuss with Cuban authorities the prospects of investing in Cuba.

'Very Satisfied' With China-Cuba Commission

FL2202032395 Havana Cuba Vision Network in Spanish 0100 GMT 22 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] Foreign Trade Minister Ricardo Cabrisas stated in Beijing that he was very satisfied with the results of the seventh session of the China-Cuba Intergovernmental Commission. According to Cabrisas, mercantile exchange between the two nations will experience a slight increase because of the adverse circumstances the island's economy is currently facing. Cabrisas met with Wu Yi, Chinese minister of Foreign Trade and Economic Cooperation.

Fidel Castro Meets With Danielle Mitterrand

FL1502204295 Havana Radio Rebelde Network in Spanish 1800 GMT 15 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] Cuban President Fidel Castro met with Danielle Mitterrand, wife of the French president, during a dinner party at the residence of French Ambassador Jacques Raphael Dufour on 14 February in Havana. Carlos Lage, vice president of the Cuban Council of State, and several other members of the Cuban Government accompanied Fidel Castro who had met the French first lady on her previous visits to Cuba.

AFP [Agence France-Presse] news agency has reported that Danielle Mitterrand arrived in Cuba on 12 February on a private five-day visit and delivered a donation from the French Liberty Foundation, which she chairs, to the Frank Pais Orthopedic Hospital on 13 February. The French Liberty Foundation is one of the 12 nongovernmental European associations participating in the humanitarian aid plan to Cuba created by the European Union Commission.

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Ministry Spokesman Views French Donation

FL1702021595 Havana Radio Rebelde Network in Spanish 0000 GMT 17 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Rafael Dausa, a Cuban Foreign Ministry spokesman, told a regularly scheduled meeting with the press that the Cuban foreign minister will attend Uruguayan President-elect Julio Sanguinetti's inauguration on 1 March. The spokesman also reported that Robaina will visit Canada 19-25 March on the Canadian Government's invitation. Cuba has very good relations with Canada. The spokesman also discussed the recent visit of Danielle Mitterrand, French President Francois Mitterrand's wife, to Cuba. She handed an important $2 million donation to the Frank Pais Orthopedic Hospital.

Nicaragua's Daniel Ortega 'Fully Recovered'

PA1702045495 Havana PRENSA LATINA in Spanish 2108 GMT 15 Feb 95

[FBIS Translated Text] Havana, 15 Feb (PL)—Former Nicaraguan President Daniel Ortega, who will soon be returing to Managua, said today he feels very healty after recovering in Cuba from a silent heart attack he suffered a few months ago.

I feel in the best condition to resume my political and revolutionary struggle, to continue the activities I have been conducting during the past few years, Ortega said in a statement for PRENSA LATINA.

Ortega, leader of the Sandinist National Liberation Front (FSLN) said upon returning to Nicaragua next Saturday he will continue his contacts with the people, will continue supporting the people's struggle, and will resume his duties within the organization.

Ortega said he is grateful for the attention he received from Cuban doctors upon arriving in Havana in November. During a routine checkup they detected a heart ailment from which, according to him, he has fully recovered.

Leaves After 3 Month Stay

FL1802192795 Havana Radio Rebelde Network in Spanish 1800 GMT 18 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] Former Nicaraguan President Daniel Ortega offered an exclusive interview to GRANMA, in which he stated that the Sandinist ideals, and the black-and-red flag will remain in the hands of the Sandinist Front, which is not divided. He added that neither the grassroots bases of the Sandinists nor their fighting goals were changed, despite the separation of some members. Ortega stayed approximately three months in Cuba, recovering from an unexpected heart ailment, and will return to Nicaragua today, where we will be welcomed by partisans and sympathizers of the Sandinist Front.

Salvadoran Congressmen Meet Alarcon, Express 'Optimism'

FL1502031395 Havana Radio Rebelde Network in Spanish 0000 GMT 14 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Salvadoran congressmen, representing all of the political parties of that Central American country, met with Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, and expressed optimism about future relations between the two nations. During the meeting, they discussed the strengthening of parliamentary ties and Alarcon learned of the visitors' impressions of their meetings and tour since their arrival in Cuba. Deputy (Jose Rafael Machuca), president of the Salvadoran delegation and congressional representative for the National Conciliation Party, stated that the main reason for these contacts is to reopen a window to bilateral relations. He added: By respecting the fundamental concepts of each country, we can exchange opinions and experience, and increase trade among businessmen, taking advantage of Cuba's experience.

Express 'Optimism' on Future Ties

PA1502033095 Havana PRENSA LATINA in Spanish 2211 GMT 14 Feb 95

[By Javier Rodriguez]

[FBIS Translated Text] Havana, 14 Feb (PL)—Salvadoran congressmen, representing all political parties in El Salvador, met today with Ricardo Alarcon, president of the National Assembly of the People's Government [ANPP], and expressed optimism regarding future relations between the two countries.

Alarcon received the legislators, who have been in Cuba since 10 February, in the company of Jorge Lezcano, president of the ANPP Foreign Relations Committee, and Lazaro Barredo and Julio Espinosa, vice president and secretary, respectively, of the same committee.

The strengthening of ties between the two parliaments was discussed during the meeting. Alarcon heard the views of the visitors regarding their meetings and excursions since their arrival in Cuba.

In a statement to PRENSA LATINA, Deputy Jose Rafael Machuca, president of the Salvadoran delegation and a representative of the National Conciliation Party in Congress, said the main objective of these contacts is to reopen a door toward bilateral relations, always respecting the fundamental concepts of each country.

Meet With Cuban Ministers

FL1502205395 Havana Radio Rebelde Network in Spanish 1800 GMT 15 Feb 95

[From the "National Radio News"]

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[FBIS Translated Text] The Salvadoran deputies visiting Cuba continue their program of activities and meetings aimed at enhancing ties between the two nations. As their visit nears its end, the Salvador parliamentary delegation has observed the Cuban reality and established contacts to restore long-neglected relations. These two points were among their main goals, as indicated by Jose Rafael Machuca, who heads the delegation. He today told Foreign Minister Roberto Robaina that the delegation, though consisting of deputies with various affiliations, is after one single goal, improving their living conditions and sharing experiences with the Cuban people.

[Begin Machuca recording] We definitely do not wish to pass judgment on Cuba's domestic problem; that is not our area of concern. We do hope to find things in common that will benefit both nations. The first step has been to get closer. We wish to formally thank the president of the National Assembly for the opportunity to meet with you. [end recording]

Prior to the meeting with Robaina, the Salvadoran delegation met with Economy and Planning Minister Osvaldo Martinez who briefed them on Cuba's current situation, and measures being taken to confront it.

Praise Visit, Depart

FL2002015395 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 19 Feb 95

[From the "NTV" newscast]

[FBIS Translated Text] The Salvadoran delegation that visited Cuba this week returned home on the afternoon of 18 February.

[Begin recording] [Jose Machuca] In labor terms, in other words, the experience between the Cuban authorities and our delegation has been highly favorable. We believe that the short-term results are going to be significant and noteworthy. [end recording]

Lazaro Barredo, vice president of the International Relations Commission of the National Assembly of the People's Government [ANPP], bid farewell to the Salvadoran legislators who toured sites of economic and social significance and met with high-level officials of the Cuban Government such as Foreign Minister Roberto Robaina. ANPP President Ricardo Alarcon de Quesada, and Economy and Planning Minister Osvaldo Martinez. The meetings highlighted both sides' commitment to finding common areas to promote increased mutual understanding and increasing communication and exchanges between the two peoples.

This was the first official Salvadoran delegation to visit Cuba in 35 years. The delegation, composed of eight deputies, included representatives of every Salvadoran political party.

Minister, Uruguayan Envoy Sign Treaty To Combat Crime

FL1702031495 Havana Radio Rebelde Network in Spanish 0000 GMT 17 Feb 95

[From the "Exclusive" program]

[FBIS Translated Text] Justice Minister Carlos Amat and Uruguayan Ambassador to Cuba Alberto Boss Rubio signed a mutual assistance treaty at the Justice Ministry today. Amat stressed that the document represents an important step toward stronger relations:

[Begin Amat recording] This document represents an important step toward stronger relations between our peoples. We are also taking an important step toward strengthening our countries' international work with the purpose of achieving a better way of combating crime and of administering justice. [end recording]

Treaty To Encourage 'Closer' Ties

PA1802193695 Havana PRENSA LATINA in Spanish 2122 GMT 16 Feb 95

[FBIS Translated Text] Havana, 17 Feb (PL)—In this capital today, Cuba and Uruguay signed a mutual assistance treaty on judicial and penal matters.

The ceremony was held in the offices of the Foreign Ministry, and Justice Minister Carlos Amat and Uruguayan Ambassador to Cuba Alberto Voss Rubio signed the document.

The treaty establishes bilateral agreements allowing the utmost cooperation in operations against crimes and justice administration.

Amat said after signing he believes this step is an important one that contributes to closer, existing ties between the two Latin American peoples.

This agreemement will buttress the international work both countries are carrying out, and Amat described it as an instrument to uphold the mutual ideals of justice.

Ambassador Voss Rubio said it was a high honor to participate in the act and said the treaty is modern and broad, favoring the continuation of existing good Cuban-Uruguayan links. He also considered it as a symbol of the integration Cuba and Uruguay advocate.

Jaime Crombet Meets With Zimbabwean Officials

FL1502174995 Havana Radio Reloj Network in Spanish 1504 GMT 15 Feb 95

[FBIS Translated Text] Jaime Crombet, vice president of the National Assembly of the People's Government, has held important meetings, described as productive by diplomatic sources, with Zimbabwean officials. Crombet, who arrived in Zimbabwe on 14 February, met with the president of the Zimbabwean Parliament Nulan Makumbe, and Foreign Minister Nathar Shamuyarira. Diplomatic sources added that Crombet relayed a message from Foreign

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Minister Roberto Robaina to Shamuyarira, and spoke with both officials about bilateral relations of friendship and cooperation, as well as other international issues of interest. During the respective meetings, Crombet discussed Cuba's current situation and the efforts being made to overcome its economic difficulties.

Received in Zimbabwe

PA1802193095 Havana PRENSA LATINA in Spanish 1108 GMT 16 Feb 95

[FBIS Translated Text] Harare, 16 Feb (PL)—Zimbabwean Parliament President Nulan Makumbe reiterated Zimbabwe's opposition to the U.S. imposed blockade against Cuba and thanked the island for the solidarity afforded to this African state, it was learned today.

At a reception last night to celebrate the visit of Jaime Crombet, vice president of the National Assembly of the People's Government [ANPP], Makumbe said Zimbabwe maintains its opposition to Washington's economic, financial, and trade blockade against Havana.

Diplomatic sources here said Makumbe thanked the Cuban people and government for the historic cooperation given to this country since the beginning of its struggle for independence.

At the reception, Crombet spotlighted the traditional links of cooperation, friendship, and solidarity joining the two peoples and emphasized Zimbabwe's support to Cuba in the international arena.

Crombet has been in Harare on a working visit since 14 February and was received twice by Foreign Minister Nathan Shamuyarira, in addition to Makumbe.

PRENSA LATINA has learned from sources close to the visiting delegation that Crombet handed Shamuyarira a message yesterday from Cuban President Fidel Castro addressed to his counterpart, Robert Mugabe.

During his stay in this capital, the Cuban delegation also talked with Chen Chimutengwende, president of the Zimbabwe-Cuba Friendship Association who is also deputy information minister and a member of the central committee of the ruling ZANU-PF Party.

Zimbabwe is the fourth stage of Crombet's tour of the South African southern cone, which has already included Angola, Namibia, and Zambia, countries in which he has held important contacts.

Meets Zimbabwean House Leader

FL1702014495 Havana Radio Rebelde Network in Spanish 1800 GMT 16 Feb 95

[From the "National Radio News"]

[FBIS Translated Text] Nulan Makumbe, Zimbabwean parliament president, has reiterated Zimbabwe's opposition to the U.S. blockade of Cuba. Makumbe thanked the Cuban Government and people for the solidarity and cooperation that they have given to his country since the beginning of the struggle for independence. Makombe made these statements during a reception in honor of Jaime Crombet, National Assembly of the People's Government vice president. Crombet underlined the historic ties of solidarity and friendship which unite Zimbabwe and Cuba, as well as Zimbabwe's support for Cuba in the international arena.

Views Results of African Tour

PA2102191895 Havana PRENSA LATINA in Spanish 1753 GMT 20 Feb 95

[FBIS Translated Text] Havana, 20 Feb (PL)—Jaime Crombet, vice president of the National Assembly of the People's Government [ANPP] today termed positive the tour by a delegation from the legislative branch carried out under his leadership.

Crombet, who returned to Cuba last night, traveled on official visits to Angola, Namibia, Zambia, and Zimbabwe, with working stopovers in Rio de Janeiro and Paris. He met with his African counterparts at the highest administrative and parliamentary levels.

In statements today to PRENSA LATINA he said that the Cuban delegation met with Presidents Jose Eduardo Dos Santos of Angola, Sam Nujoma of Namibia, Frederick Chiluba of Zambia, and high-ranking officials in Zimbabwe.

In Paris, Crombet and his delegation met with members of the French parliament. In Rio de Janeiro, they met with the mayor of that Brazilian city.

He said: In addition to exchanges of experiences between the two parliaments, we thanked them for their solidarity with Cuba in international organizations, where they condemned the U.S. blockade. We also studied possible augmentation of bilateral cooperation.

Zambia proposed a substantial increase in Cuban cooperation in the area of medical personnel. In this regard, a delegation led by the Zambian public health minister will soon travel to Havana.

The ANPP vice president said meetings were also held with Cubans rendering their services in those African nations. They were briefed on economic measures being adopted on the island.

In reply to another question, Crombet expressed his satisfaction with the results of the tour, which also allowed them to fulfill some of the ANPP's prior commitments.

Interviewed Upon Return

FL2102031895 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 21 Feb 95

[From the "NTV" newscast]

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[FBIS Translated Text] The Cuban parliament is expanding relations with deputies from Namibia, Zimbabwe, Angola, Paris [as heard], and Brazil. Correspondent Gladys Rubio interviewed Jaime Crombet, vice president of the National Assembly of the People's Government [ANPP], upon his arrival in Havana.

[Begin recording] [Rubio] Jaime, how would you evaluate the results of these meetings?

[Crombet] I can say that we were treated very well. In the case of the four African countries, we delivered a message from the commander in chief to the highest-ranking leaders of those countries. We were treated very well and I believe relations, solidarity, and friendship were strengthened. New agreements for joint efforts were signed between our parliaments, governments, and parties. [end recording]

Inter-Caribbean Affairs

Caricom Leaders Discuss Economic Issues

FL1702231795 Bridgetown CANA in English 2235 GMT 17 Feb 95

[By Reudon Eversley]

[FBIS Transcribed Text] Belize City, Belize, Feb. 17, CANA—Caribbean Community (Caricom) leaders, wrapping up a two-day summit here Friday night, have promised "a now way" of transacting the community's business to ensure the region is not left behind by the current rapid pace of global change.

"We fully recognise that the world is changing very rapidly and no longer can we afford a leisurely pace in the implementation of decisions that we take," Trinidad and Tobago Prime Minister Patrick Manning told reporters.

"That decision taken in Miami (last December) to establish a western hemisphere free trade area by the year 2005 is going to dictate a lot of things in the Caribbean area.

"...As developed countries which constitute the major markets for the output of (our) domestic industries,...say that to have access to my markets, I must access to yours, it dictates a pace of change which, if not followed by the countries in the region, will find that we are left behind," Manning added.

The sixth inter-sessional meeting of Caricom heads reached agreement on one of the two main agenda issues—the privatisation of regional airline, LIAT [Leeward Island Air Transport], based on proposals prepared by the governments of Trinidad and Tobago and Antigua and Barbuda.

Discussions were continuing Friday night on the second issue—the proposed establishment of a single Caricom market and economy—and the associated issue of a common regional currency. The discussions centre on a major document prepared by Barbados Prime Minister Owen Arthur.

"What is clear already is that there is need for the Caribbean to accelerate our movement towards the single market and economy," Manning told a news conference. "It becomes even more urgent in the context of the decisions taken in Miami in December where there was an agreement among the western hemisphere countries to set up a free trade area by the year 2005."

Manning said Caricom now appeared to be moving from the plan to establish a common currency, pointing to difficulties the European Union, considered the most successful integration grouping, is having with carrying through a similar plan. "What is now emerging is a more modest objective of convertibility of currencies in the Caribbean area and several countries already enjoy that status," he said. "In fact, there is a proposal from the governors of the central banks...,that we can achieve convertibility among a number of countries in the first six months of 1995...."

With regard to LIAT, the heads accepted the Trinidad/Antigua privatization proposals, calling among other things for at least 51 per cent of the shares in the airline to be sold to Caribbean interests, including LIAT staff. The remaining 49 per cent is to be offered to foreign investors. The following trade-off was put to shareholders: LIAT would write off 120 million East Caribbean dollars (one EC dollar; 37 U.S. cents) in owed subventions, in exchange for shareholders agreeing to assume LIAT's 33.8 million EC dollar debt to the Caribbean Development Bank as well as LIAT's liabilities of 24.8 million EC dollars for landing fees.

"The basic elements of the proposal were as follows: governments will assume LIAT's debt to the Caribbean Development Bank and LIAT's liabilities (mainly for landing fees)....in exchange for a write-off of the countries' subventions to LIAT," Manning said. "When that is done, the countries will transfer their shares to LIAT at a cost of EC1 dollar and then we will float the shares of LIAT on the market to raise EC30 million dollars. The proposal has been accepted by the heads and we are off and running."

As a result of the go-ahead, a decision was taken to keep on the current board of directors of LIAT for an additional three months "because we believe that it will take us that period of time to syndicate the loan," Manning said.

Manning also reported the summit had produced an agreement that the majority of Caricom member countries will enter a multilateral air services agreement "as expeditiously as possible".

Trinidad and Tobago and Antigua and Barbuda were mandated by shareholder governments to oversee the preparation of LIAT for privatization over the past six

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months. This mandate was given after a previous plan to sell LIAT to Caribbean Aviation Enterprises (CAE), a regional business consortium, fell through largely because of opposition from some shareholders, notably Antigua and Barbuda.

Antigua and Barbuda Prime Minister Lester Bird, presenting the proposal to the heads Thursday night, reported LIAT had achieved a turnaround to profitability in the past three months as a result of restructuring in which staff system-wide was cut by 15 per cent, resulting in a 20 per cent fall in the airline's wages and salaries bill. Other achievements have been a 15 per cent increase in aircraft utilization, and in improvement in the on-time arrival and departure record of flights to 85 per cent.

The inter-sessional meeting, attended by 10 of the 13 Caricom leaders, also took decisions allowing Trinidad and Tobago to host both a conference of Association of Caribbean States (ACS) leaders on tourism, trade and transportation, and the Sixth Caribbean Festival of Creative Arts (CARIFESTA). The planned two-day summit, which originally was to focus exclusively on tourism, is scheduled for the first half of August. It was to have taken place in Barbados, but the government said it was now unable to host the conference and Trinidad and Tobago agreed to be the new venue.

The decision to broaden the meeting's agenda was taken after consultation among countries expected to be part of the ACS.

The leaders Friday night were expected to discuss how Caricom can contribute to the reconstruction of Haiti, following an assessment of conditions there by a Caricom mission which visited the French Creole Caribbean nation last week.

Also expected to come up was the much-talked-about plan by nuclear interests in Japan, France and Britain to use the Caribbean as a possible route for the shipment of radioactive material from France to Japan.

Suriname's application to become the 14th Caricom member state too was expected to receive the attention of the heads Friday night.

Suriname Admitted; Summit Ends

FL1802170495 Bridgetown CANA in English 1526 GMT 18 Feb 95

[By Reudon Eversley]

[FBIS Transcribed Text] Belize City, Belize, Feb 18, CANA—Caribbean Community (Caricom) leaders ended a two-day summit here Friday night, announcing a decision to admit Dutch-speaking Suriname as the Community's 14th member state. Caricom Chairman, Belize Prime Minister Manuel Esquivel, told reporters it was "more than likely" that Suriname would take its seat as Caricom's newest member at the leaders' next regular summit, scheduled for Guyana in July. Suriname, which [illegible] years has had observer status within Caricom, is among a number of non-English-speaking Caribbean countries, including the Dominican Republic, which have expressed interest in joining the 21-year-old integration group. Asked why Suriname was admitted and not the others, Caricom Secretary General Edwin Carrington told reporters: "Suriname has been the country which has been following through on its application more than any of the others.

"While we did have in the very early years indications of applications, and not actually formal applications from a number of countries, Suriname most recently made a formal application," he added.

Esquivel, briefing reporters at an end-of-summit news conference, confirmed that the go-ahead had been given for the privatization of regional airline LIAT. He also reported new progress towards the establishment of the much-talked about Caricom single market and economy. Both issues dominated the two-day inter-sessional meeting attended by ten heads of government. Absent were the prime ministers of Grenada and Dominica and the chief minister of Montserrat.

Esquivel confirmed earlier information that shareholder governments, under the deal to privatize LIAT, had agreed to assume the airline's EC33.8 million dollar debt to the Caribbean Development Bank as well as EC24.8 million dollars (one East Caribbean dollar = 37 U.S. cents) in liabilities, representing landing fees, rent, and navigational fees owed to governmental authorities across the region. In exchange, LIAT is writing off EC120 million dollars in subventions owed by the governments. The privatization is expected to take place by June 30, 1995. Regarding the single market and economy, Esquivel said "considerable progress" had been achieved. Continued implementation of the Community's Common External Tariff (CET), a common tariff against third country imports, was one of the two main areas addressed at length by the heads of government.

"A number of Caricom governments gave the dates on which they intend to implement phase two of that programme," Esquivel said. Caricom countries are gradually reducing the tariff from a previous high of 40 percent, to stabilise between 25 and 20 percent, as part of the mismantling of trade barriers. The countries of the Organisation of Eastern Caribbean States (OECS) reported a study was underway on the likely impact of the implementation of phase two of the CET on their economies and said they should be in a position to say something definite before July.

Belize asked for a nine-month extension to permit the simultaneous implementation of both phase two of CET and a value-added tax on April 1, 1996. On the free movement of people, goods, and services within the Community, Esquivel said several member states had presented time frames in which they would seek to meet certain requirements.

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Exempting Caricom nationals from the provision of alien landholding laws and lifting the requirement for Caricom nationals other than University of the West Indies graduates to have work permits were two major issues that came up during the discussion. With regard to the latter, Esquivel said: "All the Caricom countries indicated a desire to implement this provision, although no spoecific dates were given in many cases." In relation to the free movement of goods. Esquivel said quantitative restrictions continued to be a problem in some cases.

"Member states indicated, particularly with regard to agricultural products, that those restrictions would be removed in time for the next heads of government meeting," he added.

The leaders issued a strongly-worded statement, restating their opposition to the Caribbean Sea being used for the transportation of hazardous waste. They repeated their desire for the region to be considered a nuclear-free zone. Their statement came against the backdroop of plans involving British, French, and Japanese interests to possibly use the Caribbean for the transshipment of plutonium waste from France to Japan.

"Heads of government are particularly disturbed that in spite of their previous condemnation of such traffic in view of the clear indication of the dangers to the region posed by the transit of such hazardous material, the prospect continues to arrive," the statement said.

British Virgin Islands

Election Puts VIP Party, Stoutt Near Majority

FL2102180695 Bridgetown CANA in English 1524 GMT 21 Feb 95

[FBIS Transcribed Text] Road Town, Tortola, Feb. 21, CANA—The incumbent Virgin Islands Party (VIP) was the biggest winner in record-creating elections here Monday, taking six of 13 seats in the expanded Legislative Council. But all three parties which contested the district and territorial poll were on Tuesday reported to be negotiating alliances to gain a majority in the Council, where seating was increased from nine to 13.

"With his party taking six seats, (Chief Minister H. Lavity) Stoutt is in the best position to form the government, needing just one seat for a majority," a government spokeswoman told the Caribbean News Agency [CANA].

Independent candidates are in a key position, having picked up three seats. The Concerned Citizens Movement of Walwyn Brewley took two seats and the United Party, headed by Conrad Maduro, also picked up two.

Independent candidates Ethlyn Eugenie Smith, a retired civil servant, and Eileene L. Parsons, an educator, created history, being the first females to be elected to the Legislative Council. Ms. Smith scored a major upset, defeating former Chief Minister (1983-86) Cyril Romney, who also ran as an independent in the Fifth District.

Another surprise was former Health Minister (VIP) Louis Walters' defeat by young newcomer Andre Penn, a French/Spanish language teacher who ran for the United Party.

Winners in the elections were:

- Virgin Islands Party: Stoutt, former Natural Resources Minister Oliver Cills, former Communications/Works Minister Terrence B. Lettsome, ex-minister Ralph O'Neal, businessman Reeial George and businessman Alfred Prett.
- Concerned Citizens Movement: W. Brewley and Omar Hodge.
- United Party: A. Penn and C. Maduro.
- Independents: Ms. E. Smith, Ms. E. Parsons, and businessman Alvin Christopher.

The narrowest win of the elections was Penn's—by a single vote.

"We expect there will have to be a recount," the spokeswoman told CANA.

One of the big vote-catchers in the poll, marked by a low turnout, was Stoutt, the BVI's longest serving politician.

Stoutt was named the islands' first Chief Minister in 1967. He has not lost a parliamentary seat since then.

The Virgin Islands has a population of 16,749. There are just over 8,000 registered voters.

Bahamas

'Widespread Raids' on Illegal Immigrants Yield 'Hundreds'

FL1802174295 Bridgetown CANA in English 1643 GMT 18 Feb 95

[FBIS Transcribed Text] Nassau, Bahamas, Feb 18, CANA—Hundreds of illegal immigrants were apprehended by immigration, police, and defence force officers in early morning widespread raids in New Providence on Friday. Some homes were looted by Bahamians after the immigrants were taken to a detention centre for processing. The immigrants, many of them Haitians, were processed by immigration authorities at the Carmichael Road Detention Camp in preparation of a repatriation exercise schedule [words indistinct]. The Bahamas and Haitian Governments in January signed a treaty which provides for the repartriation of 800 Haitians a month. Those Haitians who can prove they have been in the Bahamas for 10 years or longer are to be allowed to stay. It is estimated that there are 40,000 Haitians in the Bahamas, the majority of them illegal. The Bahamas has a population of about 254,000.

Assistant Commissioner of Police, Basil Dean, in charge of the police side of the operation, said there was a

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multi-national mix at the camp—Cubans, Jamaicans, Haitians, Dominicans, one Arab, and a Croatian. Some immigrants were picked up in operations over the past week.

Immigration officials uprooted many homes in the Fox Hill area in the eastern section of New Providence around 5:30 Friday morning, according to residents. Later in the morning, a raid reportedly took place in the West Hill Street and Kemp Road in central New Providence. Law enforcement agents also swept the numerous side roads between Market and East Streets south of downtown Nassau, looking for illegals. After midday, defence, immigration, and police officers were going through backyards, knocking on house doors, and looking through the windows of homes in the Market Street area. Several houses in the Fox Hill area were locked with chains across the gates and padlocks on doors. There were few people on the street in the Fox Hill area.

Cayman Islands

Government Announces U.S. Intercepted 122 Cubans

FL2102015595 Bridgetown CANA in English 1840 GMT 20 Feb 95

[FBIS Transcribed Text] George Town, Grand Cayman, Feb 20, CANA—The Cayman Islands Government announced over the weekend that 122 Cubans intercepted at sea by the U.S. Coast Guard last week will be taken to U.S.-run internment camps at the Guantanamo Bay Naval Base in Cuba. The Cubans were picked up near Florida or in the Yucatan Channel in four separate findings by the U.S. Coast Guard last week. All the Cubans said they had started out from the Caymans. A government press release said the Cubans were "expected to join the 179 who were transferred in January from the Cayman Islands" to the U.S.-run refugee camps at Guantanamo Bay.

"The transfer of the group is being coordinated under the terms of the U.S agreement to accept up to 900 Cuban migrants from the Cayman Camp," said the release. U.S. Coast Guard spokesperson Ron French in Miami said two Cubans with Cayman residence papers that were picked up at sea with 21 others last Wednesday would be returned to the Cayman Islands. French said the two were identified as crew members aboard the M.V. Osprey. French said, however, the Coast Guard would not make a special trip to Miami for the two, but they would be taken to Guantanamo to await the next charter flight of Cubans transferring from the Cayman Islands to Guantanamo. Cayman Immigration sources believe that flight could come as early as March 3 but no official date has been announced.

The 122 Cubans were part of four boats that departed the Cayman Islands between 10-13 February, reportedly headed for the U.S. One group of 43 Cubans who said they were from Cayman made U.S. landfall at a deserted beach near Sarasota, Florida last Tuesday. Those 43 were taken to Krome Detention Centre in Miami to await a hearing before a U.S. Immigration judge to determine their request for political asylum.

Haiti

Electoral Council Announces Election Schedule

FL2102232695 Port-au-Prince Radio Metropole in French 1145 GMT 21 Feb 95

[FBIS Translated Text] The first round of legislative elections will be held on 4 June, with a second round scheduled for 25 June. The Provisional Electoral Council [CEP], on Monday [20 February], presented an agenda of the activities to be held for the legislative elections, the campaign of which will officially begin on 24 April—in two months. Rothschild Francois Jr. filed a report:

[Begin Francois recording] The veil has now been lifted on the electoral timetable. The CEP has chosen 4 June for holding the country's legislative, local, and municipal elections. The ballot must be free, honest, and democratic, according to CEP members. The CEP requests the presence of national and foreign observers during the elections. The electoral timetable includes five major steps, according to CEP member Jean-Francisque Merissier.

[Merisier, in Creole] The BED/BEC [Departmental Electoral Bureau/Communal Electoral Bureau] and BIV [Registration and Voting Bureau] will be under preparation from 20 February to 22 March. Another big step is the registration process, because the elections cannot be held without the list of voters. This will take 22 consecutive days—from 26 March to 27 April. The third step in the timetable is the declaration and submission of the candidacies. This will begin on 27 March and end 17 April. The fourth step, once the candidates are approved, is to begin the campaigns. The electoral campaign will open on 24 April and close on 2 June. The most important date, which everyone is waiting for, is election day. The voting operation will take place from 6 am to 6 pm throughout the country on 4 June. If a second round is necessary, it will be held on 25 June. On 27 February, the BED members will be officially appointed.

On 2 and 3 March, training seminars will be held in Port-au-Prince for the BED members. On 5 to 14 March, we will choose the BEC members who will in turn choose the delegates for the communal sections. On 15 March, it will be the appointment and installation of the BEC members. On 13 to 17 March, a training seminar will be held for the BEC members in each BED. On 14 to 20 March, a training formation will be held for the communal delegates in each BEC. From 15 to 20 March, we will identify the registration and voting bureaus. From 14 to 20 March, we will identify and rent all the places for storage of BIV material, etc...

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[Francois] Those were the various steps in the electoral timetable that CEP President Amselme Remy and Jean Francisque Merisier are presenting. In view of the formation of the electoral bureaus, three CEP teams are enroute to the provinces. According to the Constitution, the CEP members are to collect proposals for candidacy from the electoral bureaus, BEDs. Government employees, except for teachers; city hall officials; and anyone involved in acts of political violence will not be considered. Priority will be given to former members of the 1990 BED/BEC. On 27 February, CEP will issue the list of candidates selected for the BEDs, which will then create the BECs and the BIVs.

On the financial end, the CEP announces that some of the pledges made by the international community have begun to materialize. Regarding security, a global security plan is being developed by the interim police. The plan will be implemented by the multinational force and MINUHA [UN Mission in Haiti]. The CEP members will be accompanied this morning on their tour in the provinces by international police monitors and some Haitian policemen. [end recording]

Radio Lists Parties Expected To Participate

FL2102203995 Port-au-Prince Signal FM Radio in French 1130 GMT 21 Feb 95

[FBIS Translated Excerpt] It should be pointed out that the country's main political formations expected to participate in the elections are as follow: Most notably, the Lavalas Political Organization, close to President Jean-Bertrand Aristide and headed by Gerard Pierre-Charles; its potential rival, the National Front for Change and Democracy, headed by Evans Paul and Turneb Delpe; the centrists, headed by Marc Bazin of the Movement for the Establishment of Democracy in Haiti; and Louis Dejoie of the National Agricultural Industrial Party. The two rival Haitian socialist branches are Victor Benoit's National Congress of Democratic Movements and Serge Gilles' National Progressive Revolutionary Party of Haiti.

The Christian Democrats of former President Leslie Manigat in the Assembly of National Progressive Democrats and Marie-France Claude of the Haitian Christian Democratic Party have reserved commitment pending demand guarantees similar to those of the Mobilization for National Development of Hubert De Ronceray, and the Volvick Remy Joseph's moderate neo-Duvalierist formation, National Cooperation Action Movement. [passage omitted]

Defense Minister Announces High-Level Army Dismissals

FL2102211295 Port-au-Prince Signal FM Radio in French 1130 GMT 21 Feb 95

[FBIS Translated Text] A new reshuffle has occurred within the Haitian Army. Nearly 43 officers have been stricken from the interim force by the Haitian Government. During the announcement of the dismissal of these officers by Defense Minister Wilton Lherisson on the night of 20 February, the name of General Cherubin was not mentioned. It is not known whether or not this officer—former chief of police in 1991 who was promoted to brigadier general at the beginning of January by the head of state—will remain an advisor in the presidential entourage. Brig. Gen. Pierre Cherubin is considered a loyal friend of President Jean-Bertrand Aristide, having followed him into exile in Washington.

In a statement to the press last night, Lherisson announced the retirement of Gen. Bernadin Poisson, interim commander in chief of the Army; Gen. Martial Romulus, deputy commander in chief; and Gen. Mondesir Beaubrun, chief of the General Staff. A total of 43 officers were stricken from the interim force, which welcomed the 1,500 former Haitian Army members who had not been demobilized. Please recall that the Operations Committee [Comite d'Operations, CORA] had last week requested the dismissal from the interim force of these officers for not having carried out their mission, which was to disarm the former military. The minister explained that from now on, the highest rank in the interim force will be that of major. Maj. Dany Toussaint, another loyal friend of President Aristide, who also shared his three-year exile in the United States, is supervising the commission in charge of restructuring the national police force.

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Financial Aid Package Signed With U.S. Government

PA2202005095 Mexico City NOTIMEX in Spanish 2145 GMT 21 Feb 95

[FBIS Translated Excerpt] Washington, 21 Feb (NOTIMEX)—The Mexican and U.S. Governments signed today a $20-billion financial aid agreement for the Mexican economy's stabilization.

Finance Secretary Guillermo Ortiz, U.S. Treasury Secretary Robert Rubin, and Bank of Mexico Governor Miguel Mancera signed the four documents outlining the package's financial conditions.

Rubin said $10 billion will be granted to Mexico between now and June, including $3 billion that are immediately available, and part of the remaining $10 billion will be disbursed in July.

The Mexican Government will pay for these credits an interest rate of 250 basic points, meaning 2.5 percent, over U.S. Treasury certificates for the same term, on funds taken from the first $10 billion.

As for the rest, there will be an interest rate of 300 basic points. Ortiz said: "The development possibilities our country currently has are such that they will allow a notable economic recovery that will represent increasing levels of welfare."

"I want to emphatically state the financial package we negotiated does not include a single political condition for Mexico. This will be corroborated by the (Mexican) Congress of the Union," the Mexican finance secretary said.

Ortiz Martinez clearly said the financial package includes rights in favor of the United States as a creditor country, but it has no more rights than those which are common in this type of financial aid agreement. [passage omitted]

The four documents they signed include the framework agreement, the agreement on credit lines for a mid-term stabilization, the security guarantees agreement, and the oil revenues agreement.

Resources from these credit operations, particularly those available on a middle and long term, will allow Mexico to refinance short-term maturities of foreign currency liabilities.

Ortiz said: "The resources we will receive within the framework of these agreements, plus the resources from international financial organizations, will allow us to end the instability in the country's financial and foreign currency markets."

The Mexican Government explained that the resources obtained from the financial package will be used, above all, to refinance the public sector's short-term liabilities, particularly the Treasury Bonds (Tesobonos), so the overall public debt will not increase.

The settlement on the Mexican oil revenues' issue, also signed at the ceremony that was held at a Treasury Department room, reasserts that Mexico will continue to manage its oil resources.

"The agreements foresee that the Mexican Government will use oil export revenues as a source of payment in specific circumstances," Ortiz said in his speech at the ceremony.

He said a mechanism was included for other credit operations by the Mexican public sector, indicating profits of the state-owned Mexican Petroleum (Pemex) can only be used in case Mexico fails to make a payment.

"As long as the Mexican Government makes its payments right on time, it will have full and unconditional access to those resources. It is appropriate to mention that the mechanism does not represent a guarantee, nor does it grant rights over Pemex's assets," he added. [passage omitted]

Secretary Ortiz Comments on Package

PA2202041995 Mexico City Radio ACIR Network in Spanish 0000 GMT 22 Feb 95

[Report by Alma Rosa Baez and anchorman Jose Cardenas; from the "Evening News Panorama" newscast—live]

[FBIS Translated Excerpt] [Cardenas] The big news today is that the United States and Mexico have signed an unprecedented agreement in Washington granting the Mexican Government a $20-billion financial package to support its economic recovery. The agreement, which is unprecedented in the two countries' financial history, will represent an important support to the efforts being exerted by the Mexican people to overcome the economic emergency. This was stated by Mexican Finance Secretary Guillermo Ortiz Martinez in a speech he gave after hearing U.S. Treasury Secretary Robert Rubin's statement. [passage omitted]

[Baez] Guillermo Ortiz Martinez' speech was quite clear. He said that, despite its importance, the financial package is only part of the solution we seek for this problem. [passage omitted] Guillermo Ortiz issued an appeal to take things calmly because the solution to this problem will be progressively found. We must have faith in the economic plan so we can face eventualities, rather than what happens in the financial market—where investors get scared and withdraw their money—and this is detrimental for the country's economy. We will now hear Dr. Guillermo Ortiz Martinez' speech in Washington.

[Begin Ortiz recording, broadcast in progress] ...short-term foreign currency liabilities, particularly the so-called Tesobonos [Treasury Bonds], which are still in circulation. Other sources of pressure on the foreign currency rate, including the Mexican banks' foreign currency liabilities, may also be reduced by using the negotiated funds. Despite its importance, this financial package is only part of the solution we seek.

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Secretary Rubin has aptly said that the recovery of our self-confidence, as well as the confidence of all the investors and trade partners who have had faith in Mexico, is up to us, the Mexicans, and our strength and perseverance—in strict abidance by the program our society and government have outlined. President Zedillo has admitted that it will be necessary to exert truly extraordinary efforts in the near future. This is necessary to stop the deterioration process that abruptly began late last year.

Within this context, the Mexican Government and the Central Bank have reasserted their pledge to implement strict fiscal and monetary policies that allow an organized adjustment of the economy, based on less access to external resources. It is imperative that we recover the financial and foreign currency markets' stability, to establish the groundwork for a new period of stability and growth. These efforts will be less arduous if Mexicans remain united and supportive.

The Mexicans' strength is not the only thing that makes me feel optimistic today; it is also the certainty that the basis of our economy is solid. What we achieved in recent years was not lost despite recent setbacks. Although the difficult situation does not let us clearly see this sometimes, the development possibilities our country currently has are such that they will allow a notable economic recovery that will represent increasing levels of welfare. [end recording]

[Cardenas] We will ask Alma Rosa Baez to explain because the quality of the recording is extremely poor. What were the most important things stated by Finance and Public Credit Secretary Guillermo Ortiz Martinez today in Washington, so we may understand the importance of the document they signed?

[Baez] Dr. Ortiz said it is imperative that we recover the financial and foreign currency markets' stability, to establish the groundwork for a new period of stability and growth. [passage omitted]

It is important to mention that Guillermo Ortiz also said, quote, I want to emphatically state the financial package we negotiated does not include a single political condition for Mexico. This will be corroborated by the Congress of the Union once it examines the documents that govern this operation. According to the instructions from the president of the republic, these documents will be sent to Congress in a few days for its analysis and approval, unquote.

Later on Dr. Ortiz said: Given the nature of these agreements, they include rights in favor of the U.S. Government, in its role as creditor, but this does not grant it more rights than those common to this type of transaction. Referring to this, he said the agreements foresee that the Mexican Government will use oil export revenues as a source of payment in specific circumstances. A mechanism was established for this—the same one included in other credit operations by the Mexican public sector—and it will only be used if our government fails to make a payment. [passage omitted]

Secretariat Issues Bulletin

PA2102154195 Mexico City XEW Television Network in Spanish 0430 GMT 21 Feb 95

["Text" of press bulletin issued by the Finance and Public Credit Secretariat in Mexico City on 20 February--read by announcer Jacobo Zabludovsky during "24 Hours" newscast]

[FBIS Translated Text] With regard to a newspaper article that appeared abroad concerning the negotiations between the Mexican and U.S. Governments on the $20-billion credit line, the Finance and Public Credit Secretariat feels it is important to stress the following:

1. In the negotiations between the governments of Mexico and the United States, no political conditions have been considered. The agreements that are reached will be of a strictly financial nature.

2. The Mexican Government will continue to maintain its unrestricted power to manage and decide on the revenues received from petroleum exports. The U.S. Government can only have access to some of these funds if the Mexican Government fails to meet its payment obligations.

3. As stated in Article 28 of the Constitution, Banco de Mexico is the autonomous institution in charge of determining and implementing the country's monetary policy. Banco de Mexico presented the country's monetary policy goals for 1995 to the Congress of the Union in January.

4. The Mexican Government's commitment to comply with the economic program contained in the Agreement of Unity to Overcome the Economic Emergency is once again reiterated.

Financial Agreements Explained

PA2202032695 Mexico City NOTIMEX in Spanish 2246 GMT 21 Feb 95

[By Jose Lopez Zamorano]

[FBIS Translated Text] Washington, 21 Feb (NOTIMEX)—The agreement between the United States and Mexico defines the bill for Mexican oil exports as a mechanism for payment in case of noncompliance with financial commitments, but does not imply a permanent control over the sector's income.

The oil agreement, one of the four documents signed today by Mexican Finance Secretary Guillermo Ortiz and U.S. Treasury Secretary Robert Rubin would only be implemented should Mexico fail to make its payments, according to the text released today in Washington.

With that understanding, effective today, Mexican Petroleum (Pemex) will instruct its clients abroad to

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make payments for purchases of Mexican crude oil and byproducts to a Swiss bank account in New York City.

In that manner, the Swiss bank will be issued "irrevocable instructions" to transfer those funds to an account in the name of the Bank of Mexico (Central Bank) at the New York Federal Reserve, according to the document.

"As long as Mexico fulfills its obligations, those funds will be readily available to the Bank of Mexico," according to the document entitled Agreement on Oil Revenues.

"Should Mexico fail to pay the United States for any of the financial agreements, the Treasury—through the Federal Reserve—will be entitled to collect payments through the Bank of Mexico's account," the document specified.

This mechanism would be applied only in case of noncompliance under the foreign exchange stabilization agreement—where Mexico has exchange lines ("swaps")—or under the agreement on mid-term credit guarantees.

Ortiz told reporters that the agreement in no way establishes U.S. permanent control over Mexican oil revenues.

"Mexico will have total and free access to all its oil revenues, as long as its financial commitments are met," Ortiz added.

"Funds will not be blocked...they are freely and totally accessible," he stressed.

Ortiz clarified that Mexico has used the mechanism on the use of oil revenues in case of noncompliance with financial commitments in various financial operations in 1982, 1985, 1987, and 1993.

Until now, it has not been necessary to use that mechanism, as Mexico has always paid its commitments, Ortiz noted. Once again, he denied that the oil agreement is a financial "guarantee."

The oil agreement is one of of the four documents signed here after three weeks of negotiations concerning the $20 million credit package to Mexico that President William Clinton authorized on 31 January.

The first document, entitled Framework Agreement, defines the terms and conditions under which U.S. funds will be available to support the efforts to stabilize the Mexican economy after the crisis resulting from the devaluation of the peso.

The Framework Agreement also contains the economic policies announced by Mexico, the conditions to be elligible for those funds, the terms to comply with those conditions, how the funds will be used, and how they will be paid back.

Mexican economic policy includes aspects such as reducing the deficit in the current account to $14 billion, attaining an economic growth of 1.5 percent in 1995, and keeping inflation below 19 percent this year.

The second agreement, called Agreement for Mid-Term Foreign Exchange Stabilization, establishes mid-term transactions in exchange lines ("swaps") for up to five years.

Under that agreement, Mexico will be able to withdraw dollars and make a temporary deposit in pesos. Mexico will pay an interest rate that will cover the U.S. risk, which can be increased over preestablished levels.

The third document, the Guarantees Agreement, outlines the terms and conditions for the issuance of Mexican debt certificates. Under that agreement, there will be no guarantees for the payment of principal or interests due more than 10 years after their original issuance date.

The structure of the tariffs that Mexico will pay in those cases will be similar to the foreign exchange lines. In other words, they will be increased according to credit risks, so that Mexico can seek private financial sources.

According to the Mexican Finance Secretariat, the cost of those resources can be compared to the cost that the Mexican public sector paid for foreign bonds issued in 1994.

The average cost would be 2.5 percent over the profit earned by U.S. Treasury bonds due in five to 10 years for the first $10 billion and and average of 3.0 percent for the rest.

Experts Compare Economic Measures To 'Bitter Medicine'

PA2202143095 Mexico City Radio ACIR Network in Spanish 0000 GMT 22 Feb 95

[Commentary by economic experts Gustavo Lomelin and Jose Cardenas from the "Evening News Panorama" newscast]

[FBIS Translated Text] [Lomelin] Good evening. The important AID agreement for $20 billion signed this morning gives the Mexican Government a temporary, short-term, and important respite. It guarantees the country's solvency and should make Mexico again attractive for international financial markets because this important aid will contribute to stabilizing markets in the short term. This, of course, with the help of additional measures that are being announced today, such as the decision to create a foreign-exchange futures market in Mexico and abroad. This will surely create the possibility of assuring, in the short and medium term, the exchange rate, and of also creating a unit of account for financial operations. This a unit of account has to be examined more carefully.

The unit of account, the development of a futures market, an increase in interest rates, and the availability of the $20 billion from the U.S. Government will allow the government to pay the Tesobonos bonds due, basically, to foreign investors, many of whom will probably

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channel investments to fixed income instruments such as Treasury Certificates [Cetes], considering the tremendous yield they are offering right now.

This impressive and important package, these measures being designed internationally with the support, of course, of the United States, will permit the return of trust in the Mexican economy.

Mexico's financial markets, however, fell sharply today after the government secured the $20 billion package. This has been so, basically, because of the sharp drop in the Mexican Stock Market. President Bill Clinton has called for avoiding an exaggerated reaction, an overreaction, to the drop in the Mexican Stock Market.

This drop could be linked to the decisions outside the United States and Mexico. It could be a result of investors having the impression that the stock market is not going to be attractive right now and they may find fixed-income instruments such as the Cetes more attractive.

Cetes will become the best attraction for national and foreign investments. They will also drain the money out of the economy. This will generate positive short-term monetary trends that will prevent increased speculation with the dollar, but also will very significantly affect businesses and the liquidity of the Mexican economy.

In the short term, this package and the measures being announced will help stabilize financial markets, but in the medium and long term we will see the negative secondary effects that a 10-percent increase in interest rates, for example, imply. This will have very significant social effects that will have political repercussions that we will be seeing around the middle of the year or at the end of the year, Pepe.

[Cardenas] U.S. Treasury Secretary Rubin was right when he said this is bitter but necessary medicine.

[Lomelin] This is right, Pepe. A very severe adjustment program will be necessary to recover the trust of the international financial community, as well as to avoid falling into a vicious inflation-devaluation circle that could push us back to the days of 180-percent inflation. Severe and strong measures are being implemented. This is bitter medicine we Mexicans will have to swallow for the remaining of 1995.

Bank Governor Explains Increase in Interest Rates

PA2202033895 Mexico City NOTIMEX in Spanish 2355 GMT 21 Feb 95

[FBIS Translated Text] Washington, 21 Feb (NOTIMEX)—Mexico's Central Bank Governor Miguel Mancera Aguayo said today the decision to increase interest rates in his country was an indispensable measure to accelerate Mexico's financial stability.

"It is important in these times and in the particular case of Mexico that interest rates remain high for some time to achieve the stabilization of the exchange market and to fight inflationary pressure," he pointed out.

As for the 10-percent interest rate increase announced yesterday, Mancera said "to the extent a vigorous action is adopted in this regard, the exchange market will stabilize sooner and inflationary pressure will decrease."

"Thus, with a more stabilized exchange market and low inflationary pressure, interest rates will drop more rapidly. What we cannot have is low interest rates in the long run, accompanied by eternal inflation." Mancera added.

Today in Washington, Mancera signed an agreement, by which the United States will grant Mexico a $20 billion financial package, that was also signed by Mexican Finance Minister Guillermo Ortiz and his U.S. counterpart Robert Rubin.

According to the governor of the Bank of Mexico, "to lower interest rates in a sustainable manner and to keep them low, it is very important to fight inflationary forces as efficiently as possible.

He admitted the economy "cannot grow in the most immediate future. It cannot grow in upcoming months; that is clear but this is part of the inevitable adjustment that is required to stabilize prices and the exchange market."

"If prices and the exchange market are not stabilized, there will be absolutely no possibility of achieving growth now or later," he explained.

The governor of the Central Bank of Mexico said it is important to recognize "we must make a very strong temporary sacrifice to restore necessary order to ensure the economy will be able to grow later."

Mancera rejected the possibility of a collapse of the Mexican banking system because of high interest rates, which according to analysts, could lead companies of that country to default on their debt payments.

"Of course, high interest rates cause a problem in this regard. But if we adopt a resolute stand on this matter, the high interest rate problem will not last long."

The official pointed out that if a resolute attitude were not adopted, the problem of instability and high interest rates could be prolonged and could lead to a collapse of the Mexican banking system.

"Among the measures to prevent capital flight in Mexico is maintaining high interest rates for some time," he said, and this will lead to the stabilization of the exchange market and the restoration of investor trust.

Mancera denied the U.S. Government imposed on Mexico the condition of raising interest rates in exchange for the $20 billion financial package.

"There was an agreement in opinion, Mexico and the United States agreed it was necessary to do it," he noted.

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The governor of the Bank of Mexico ruled out further interest rate increases in Mexico, "I think we got as high as it was necessary, and henceforth, we foresee a downward trend."

Mancera assured measures have been adopted in past weeks to help Mexican banks facing capitalization problems, "there is a bank savings protection fund."

"This fund already announced an agreement to underwrite subordinated debts [obligaciones subordinadas] that are convertible into stock of those banks whose capitalization has been eroded by the problem of overdue portfolios " he pointed out.

As for the situation facing debtors in Mexico, the official said he foresees a very efficient measure "to ease the burden of servicing the debt of bank clients and of other debtors."

"It is an idea we borrowed from the Chilean experience, which has been very successful, and it consisted of adopting a unit of account to denominate passive and active bank operations," he assured.

Mancera added credit operations in the broadest sense can be denominated in these units of account, whose value would be adjusted on a daily basis in relation to general price level increases, and thus, they preserve a constant value in real terms.

The official said there are several advantages because this would eliminate uncertainty about future interest rate, and thus, investors would know the real yield of financial operations they have carried out.

"In adopting this unit of investment to denominate deposits, this risk would be removed," and banks would gain resources at interest rates lower than current ones," he said.

Mancera pointed out the Mexican Government is doing all it can to have a 19-percent inflation rate in Mexico from December 1994 to December 1995.

Bank of Mexico Suspends Regular Auction of Tesobonos

PA2102203495 Mexico City NOTIMEX in Spanish 1725 GMT 21 Feb 95

[FBIS Translated Text] Mexico City, 21 Feb (NOTIMEX)—The Bank of Mexico (the central bank) today suspended its regular auction of Bonds of the Treasury of the Federation (Tesobonos) and announced that on Wednesday it will acquire, in a special session, up to $2 billion worth of those documents.

A communique issued by the bank last week had announced that advance payments on Tesobonos would be made using part of the financial assistance package received from the U.S. Government.

The payment will be made in dollars on 27 February through the country's credit institutions, which will be able to present the documents [posturas] on behalf of the interested parties during the special session scheduled for tomorrow, Wednesday.

Yesterday, the Bank of Mexico announced an increase of up to 10 percent in the interest rates for Treasury Certificates (CETES) in the money market, as a means of preventing the rate of exchange from continuing to rise.

The decision to increase the yield of government debt bonds denominated in pesos, basically the CETES, is aimed at increasing the acquisition of foreign exchange.

Announces Creation of Unit of Account

PA2202022295 Mexico City NOTIMEX in Spanish 2251 GMT 21 Feb 95

[FBIS Translated Text] The Bank of Mexico (Banxico) announced today that it will develop a local foreign exchange "futures" market, which will also operate abroad, to help "soften exchange rate fluctuations and interest rates."

In a communique, Banxico added that the measures seek to ease financial concerns that have been prevailing in the country since the peso devaluation of 20 December.

It reported the creation of a unit of account that could be used to denominate "a good part" of the financial transactions to reduce real interest rates and diminish the burden of servicing debts.

The institute noted that for the time being "it is advisable to maintain a floating exchange rate until it reaches a level at which variables that determine supply and demand of foreign currency become stable."

It stated that the behavior of markets can be evaluated at a later date to determine whether it is advisable to modify this policy and adopt an exchange system with other characteristics.

Experts think that the unit of account system will constitute a mechanism to index nominal interest rates to inflation so that debtors will pay their debt minus inflation, and this will provide them with a real rate after deducting inflation.

The creation of a unit of account will strengthen the national currency because transactions would no longer be made in dollars, and the Mexican peso would gain more representation in financial markets.

In detailing the function of these two measures, the Central Bank underscored that the futures market "will offer the possibility of fixing the exchange rate in the short and medium-terms. This will facilitate economic decisionmaking."

Banxico clarified that the "multiple" decisions on exports, imports, investments, and prices depend on the availability and efficient operation of a foreign exchange futures market.

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Thus, in the absence of a broad and sufficient market of this sort, the effect of variations on the economic situation is concentrated on the exchange rate for cash transactions and also on interest rates.

"The value of that unit will be determined each day by the behavior of the general price level. This means the value of instruments denominated in that unit will be preserved in real terms and inflation will not erode its yield," the bank added.

This measure will reduce interest rates, diminish the burden of servicing the debt of the credit recipients, and will "eliminate the accelerated amortization of credits, which in real terms, is brought about by inflation," the document stated.

The bank added that there is an ongoing analysis on the possibility of restructuring, as warranted, credits financed with resources of development banks into longer terms and denominating them into units of account.

It reported that an agreement signed today by Mexico and the United States will help stabilize the Mexican economy, dispel most disturbing elements of the past weeks, and promote a normalization of the mess [revolvencia] of the Mexican debt in foreigners' hands."

The foreseeable behavior of the foreign currency market and upcoming development of various coverage [cobertura] programs will reduce foreign exchange instability and place it at levels under those observed in past weeks," Banxico noted.

Further on Bank Measures

PA2202043095 Mexico City Radio ACIR Network in Spanish 0000 GMT 22 Feb 95

[Report by Alma Baez, from the "Evening News Panorama" newscast]

[FBIS Translated Text] In order to help ease uncertainty in financial matters, the Bank of Mexico [Banxico] has taken two measures. The first one calls for the development of a futures foreign currency market in Mexico and abroad, which would make it possible to ensure the exchange rate in the short and medium term. The operations of this market will help soften the fluctuations of the exchange and interest rates. This confirms an announcement made a few days ago. I meant the announcement of the futures foreign exchange market. It had been proposed about three or four months before the financial crisis broke. Now it will be implemented owing to the country's crisis.

A unit of account will be created, and its value will be established based on the evolution of the general level of prices, which will remain unchanged in real terms, and the inflation rate will not hurt them. The unit of account is as follows. Banxico is planning to, say, create a single monetary unit for CETES [Treasury Certificates] and Tesobonos [Treasury Bonds]. The former will no longer yield in pesos and the latter in dollars. Some analysts stated that the unit of account will be established in dollars—fortunately or unfortunately for our country—and that this will raise the inflation rate. The possibility is also being considered of restructuring the loans financed with resources from the development banks in longer terms and denominated om units of account.

Commenting on this investment unit of account, Conacanaco [Confederation of National Chambers of Commerce] felt that it constitutes a solid plan compatible with the needs for assistance Mexican businesses are experiencing. If this proposal is approved, businessmen say, the conditions for economic recovery will be restored through the path of productivity, thus eliminating the strong pressures that were even threatening the collapse of a large number of factories.

This is what Banxico reported after Finance and Public Credit Secretary Guillermo Ortiz signed the line of credit assistance for $20 billion.

Bank Official Fears Deepening Economic Recession

MS1702120395 London FINANCIAL TIMES in English 17 Feb 95 p 7

[Report by Leslie Crawford, incorporating interview with Ariel Buira, Bank of Mexico deputy governor; date and place not given: "Peso Policy Dilemma Dogs Mexicans"]

[FBIS Transcribed Text] The weakness of the Mexican peso and early evidence of a dramatic fall in imports are worrying officials at the Bank of Mexico, who fear a deepening recession.

The worries have added urgency to the debate over what exchange rate policy the government should adopt to pull Mexico out of its financial morass.

Central bank officials say the options are restricted by Mexico's low level of international reserves, which barely cover three weeks of imports, and the collapse of investor confidence since the government's bungled devaluation in December. Since then, the Mexican peso has lost a third of its purchasing power, while a $50bn international rescue package intended to allow Mexico to honour its short-term debts has done little to restore faith in the country's economic management.

"Our low level of reserves, the lack of credibility, means that if we were to fix the peso against the dollar tomorrow, whatever value we chose would probably come under immediate speculative attack," Mr Ariel Buira, one of the central bank's deputy governors, said in an interview.

"If we re-instated the previous regime, and allowed the peso to float within pre-determined trading bands, it would also be shot down by the market." The option of

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an Argentine-style currency board, which restricts a country's monetary base to the level of hard currency reserves, has been discarded for various reasons, according to Mr Buira, including the fact that it would be too costly to implement.

He believes Mexico's only option at present is to continue the free-float of the peso, adopted under duress after a run on the central bank's reserves in December.

But the floating regime, at a time of great nervousness in the financial markets, is wreaking havoc in the economy. "If the peso had stabilised within the floating regime, we would be happy," Mr Buira says, "but its current volatility is hindering foreign trade transactions as well as investment decisions." The central bank expects the loss of purchasing power of the Mexican currency to lead to a dramatic contraction of imports this year, compounding the looming recession, while the greater cost of imports will also feed inflation.

Until the import figures for January are published, the evidence of the decline in foreign purchases is anecdotal. Mr Buira says toll road operators have reported a 50 per cent decline in the number of US trucks using their highways, while the Mexican press carries almost daily reports of investment projects that have either been cancelled or postponed as a result of the devaluation. The evidence so far, however, points to the fact that Mexico is headed for a far deeper recession than government officials are prepared to admit.

Mr Buira believes Mexico could end with a current account approximately in balance this year if the peso does not appreciate from its current rate of around 6.0 to the dollar. The government's 1995 economic programme, outlined in a letter of intent to the International Monetary Fund, foresaw a halving of Mexico's current account deficit from $28bn in 1994 to $14bn this year—provided the peso recovered enough purchasing power to generate modest economic growth. But the government's assumption of a rate of 4.5 pesos to the dollar appears to be out of reach if it continues to allow market forces to determine the rate.

The option of a "dirty float", with selective intervention by the central bank to raise the peso to its desired level, is one increasingly favoured by Mexico's monetary authorities. But the bank does not have the final word on foreign exchange policy, which is the prerogative of the finance ministry.

Mexico's exchange regime options may become clearer once the finance ministry finalises plans for the restructuring of its $22bn Tesobono debt the short-term, dollar-denominated treasury bills responsible for Mexico's current liquidity problems. Mr Buira said the government was planning to offer longer-term dollar instruments to the holders of Tesobonos. If accepted, the lengthening maturities on government debt would ease pressure on Mexico's foreign currency reserves and allow for more flexibility in foreign exchange policy.

Having taken the brunt of the blame for the events leading to the botched devaluation in December, the Bank of Mexico is now under fire for refusing to relax monetary policy at a time when most of the country's corporate sector is gasping for credit. But, Mr Buira says, the cost of credit is not under the central bank's control.

"The high interest rates we are witnessing at present are not a function of the central bank's monetary policy, but the perceived risk of investing in Mexico," Mr Buira says. "To follow an expansionary monetary policy at this point in time would be counter-productive. The most important thing the central bank can do is to try to inspire confidence, as only a return of investor confidence in Mexico will lower interest rates."

Government To Maintain Public Sector Price Increases

PA1802223195 Mexico City LA JORNADA in Spanish 17 Feb 95 p 51

[Article by Andrea Becerril]

[FBIS Translated Text] Although maintaining public sector prices and rates increases at 10 percent per year will entail a "fiscal sacrifice" for the federal government of between .6 and .8 percent of GDP, this policy will not change, Deputy Finance Secretary Pedro Noyola told representatives of the follow-up and evaluation commission of the Pact of Well-being, Stability, and Growth (Pabec).

There is no justification, he added, to stop fixing the price of ammonia on the basis of international regulations as demanded by industrialists and representatives of peasants and cattlemen.

The government, however, will propose a number of measures to reduce the price of this input by 25 percent for fertilizer producers and by 28 percent for agricultural distributors and users in comparison to the price resulting from a formula that had been in force until 1994, the official said.

This issue was already discussed at other pact meetings in which industrialists and leaders of peasants and cattlemen requested a revision of the ammonia price increases implemented after the devaluation because this increased fertilizer prices by up to 80 percent since ammonia is a basic input in the production of fertilizers.

In reply to this, the deputy finance secretary issued a communique on 16 February noting the fiscal sacrifice the government will make given that its revenues will drop because the prices of gasoline, gas, electricity, and the services offered by Ferronales [National Railways of Mexico], ASA [Airports and Auxiliary Services], and Telecomm [Telecommunications of Mexico] will increase by only 10 percent each year.

In this document, Noyola argues there are already "multiple provisions favoring the agricultural sector," including the fact it is subjected to a simplified tax

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regime. Rates applicable to farmers and cattlemen are only 17 percent on income and .9 percent on assets, that is, 50 percent less than the tax levied on other taxpayers.

He also underscored that since September 1994, in view of the instability of the international price of ammonia, the use of a mechanism to ease price fluctuations was authorized. This mechanism consisted of an average floating [promedios moviles] price on a percentage of purchases of this product from Pemex [Mexican Petroleum].

At present, 56 percent of the consumption of the fertilizer industry is subjected to this mechanism. Moreover, since July the Mexican Finance Secretariat authorized the application of a zero percent VAT [value-added tax] on ammonia purchases for direct use on crops by the agricultural sector.

On 24 February, Pemex will propose to the Committee on Prices for Petroleum Products, Natural Gas, and Petrochemical Products a number of measures that "without violating the pricing based on global prices will translate into a reduction in the price of ammonia."

The measures include increasing the marine freight discount from $14 to $18 per ton and extending throughout the year the payment term from 30 to 60 days for fertilizer producers. This would constitute a discount of about 3 percent on the actual price of ammonia.

Secretariat Limits Foreigners' Role in Holding Companies

PA1802012495 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 16 Feb 95 p 2

[Article by Luis Martin Gonzalez Guadarrama]

[FBIS Translated Text] The Secretariat of Finance and Public Credit [SHCP] has announced modifications to the Law to Regulate Financial Organizations, Law on Credit Institutions, and Stock Market Law; it also specified the general rules by which Credit Information Societies must abide. The SHCP established that the capital stock of holding companies [sociedades controladoras] will consist of a common [ordinaria] portion and may also consist of an additional [adicional] portion. It explained that the common stock of holding companies will consist of Series-A stocks making up at least 51 percent of such capital. The remaining 49 percent of the common capital stock may indistinctly or simultaneously consist of Series-A and Series-B stock. Additional capital stock will consist of Series-L stocks that may be issued for an amount equivalent to 40 percent of common capital stock, with prior authorization from the National Stock Exchange.

The SHCP stated that Series-A stock may only be acquired by Mexican individuals or corporations, the Savings Protection Bank Fund, and the Stock Market Support Fund.

Foreign individuals exercising authority fuctions and the country's financial institutions, including those that are part of the group involved but except when serving as institutional investors, may not in any way acquire the capital stock of the holding companies.

The decree, which was published in the DIARIO OFICIAL DE LA FEDERACION, stated that no individual or corporation may assume control, directly or indirectly, through one or several operations of any sort, simultaneously or succesively, over Series-A and Series-B stocks for an amount equivalent to more than 5 percent of the capital stock of the holding company.

The SHCP may authorize, if it deems advisable, a greater percentage, but without exceeding 20 percent.

Preventive assistance to the Savings Protection Bank Fund and the Stock Market Support Fund will only be granted if the holding company of the group involved offers sufficient guarantees or guarantees on its representative stocks. In case these guarantees prove to be sufficient it will not be obligatory to offer the guarantees specified by other legal provisions.

The secretariat noted that should appropriate supervising authorities discover the holding company is committing serious irregularities in violation of financial legislation or the corresponding provisions, the necessary measures will be adopted to normalize the holding company's activities. A deadline will be established for this purpose and should anomalies remain uncorrected, an administrative intervention will be declared and an intervention designated to stop and straigten out irregular acts.

As for the banks, it stated that their share capital will consist of a common portion and an additional portion. It will be made up of Series-A shares representing at least 51 percent of such capital. The remaining 49 percent may indistinctly or simultaneously consist of Series-A and Series-B stocks. Additional capital stock will consist of up to 40 percent of Series-L stocks. They may also issue preferred stock, which will be kept in their treasuries and which will not be counted for the purposes of determining share possession limits mentioned in this law. Similar provisions were established for brockerages.

As for credit information societies, the SHCP underscored that should any of them issue information to users who lack the corresponding authorization, they will be violating the provisions while users lose their user rights.

It also defined the bases for the establishment of credit information societies.

All the aforementioned provisions will come into force on 16 February.

Secretariat Reports $18.541-Billion Trade Deficit in 1994

PA2002043095 Mexico City NOTIMEX in Spanish 0305 GMT 18 Feb 95

[FBIS Translated Text] Mexico City, 17 Feb (NOTIMEX)—Mexico registered a trade deficit of

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$18.541 billion in 1994, 37.5 percent higher than in 1993, the Mexican Finance Secretariat reported on 17 February.

The trade deficit increased, because imports amounted to $79.374 billion, but exports totaled $60.833 billion in 1994.

Secretariat To Create Council To Help Small Businesses

PA1702040895 Mexico City EL FINANCIERO in Spanish 14 Feb 95 p 28

[Report by Hector Zanella Figueroa]

[FBIS Translated Text] Aguascalientes, Mexico, 14 Feb—In a new attempt to reestablish trust and promote Mexico's industrial sector, Commerce and Industrial Development Secretary Herminio Blanco has announced the creation of a national council in charge of coordinating the financial and fiscal activities of micro-businesses and small- and medium-sized enterprises.

In presenting the 1995 Strengthening Program [Programa de Fortalecimiento], the official explained that his secretariat will continue working—although he did not say how—to eliminate federal regulations that hamper competition and increase costs for businessmen.

He said: "I am certain that tax experts can find formulas to stimulate business via fiscal incentives, but they must also promote the collection of taxes to finance government expenditures."

After being informed of the vociferous demands of Aguascalientes industrialists and businessmen, Blanco tried to win over businessmen who had gone to the San Marcos Room of the Quinta Real Hotel hoping to hear something encouraging. Some businessmen said federal and municipal regulations inhibit progress, but they agreed to wait and listen to the Commerce Secretariat before issuing a formal statement.

Blanco's message was not convincing, according to a poll conducted by this correspondent at the end of the presentation. The secretary said nothing new. He just reiterated that customs on Asian products are being reviewed and that a national council that will provide fiscal advice will be created.

In terms of financial matters, he tried to comfort businessmen who were demanding lower interest rates by referring to already existing programs that do not work, such as the stabilization plan.

With regard to the establishment of a Fidec [expansion unknown] office in Aguascalientes, Blanco said he will discuss the matter with the proper authorities. Regarding the price of sugar, he said the Pact for Well-Being, Stability, and Growth agreed on a price increase, adding that attention will be paid to the impact that this measure may have on the price of staples. Pricing standards that have existed since 1987 and that apply to both imports and exports will not disappear.

Herminio Blanco was not convincing. Earlier, Guillermo Saul Rivera had told him: "The industrialists do know what to do and are waiting for the federal government to act by implementing an industrial development policy."

Nafin Accused of Imposing 'Restrictive' Credit Programs

PA1702040795 Mexico City EL FINANCIERO in Spanish 14 Feb 95 p 8

[Report by Georgina Howard]

[FBIS Translated Text] Representatives of several credit unions have charged that the National Finance Bank (Nafin) is imposing "restrictive" credit programs for intermediaries who are not bankers, and they added that they are encountering problems in gaining access to financing from the banking sector.

Mexican Bankers Association officials have revealed that, since Gilberto Borja Navarrete, ICA's [Associated Civil Engineers] major stockholder, took over the management of Nafin, he has not dealt with the association in any way. He has not even attended the meetings of this organization which represents the banking sector and includes the development institutions.

They added that, despite this apparent division, the Mexican banking sector will continue to support medium-sized firms that have workable projects and that they will support reorganization programs to prevent bankruptcies.

Neverthless, the officials indicated that it is imperative that Nafin define the status of the credit granted to several firms—credit in which the banking sector assumed 50 percent of the risk.

Nafin 'Backed Down' on Policies

PA1902032895 Mexico City EL FINANCIERO in Spanish 17 Feb 95 p 6

[Report by Gerardo Flores and Isabel Becerril]

[FBIS Translated Text] The National Finance Bank [Nafin] has backed down on its 1995 financial and restrictive credit policies and begun discussions with intermediaries on five basis points.

These are: a general restructuring of credit depending on interest rates; the financing of business and service sectors, especially the main ones; preliminary meetings with credit unions to look for viable options for both organizations; and a gradual application of Nafin's scheme as a funding bank.

Ricardo Dajer Nahum, president of the Credit Union for Business, Tourism, and Services (Uncreo) [title as published], made this announcement and stated that development banking should be restructured. He argues that

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banks and trusts that have been operating in the red for years and have been using government funds for goals that have not been accomplished, such as Banrural [National Rural Credit Bank], should close down.

In talks with some media, Dajer said that the organization he heads is already holding talks with three credit institutions to begin future operations in all-purpose banking in the event the Finance Secretariat maintains a freeze on projects to authorize the operation of limited financial societies [Sociedades Financieras de Objecto Limitado].

He explained that Nafin Director Gilberto Borja has already started a policy of openness with his nonbanking financial intermediaries and meetings began yesterday between credit unions and Nafin to agree on such aspects as interest rates, repayment periods, and the gradual application of the institution's financial schemes.

Dajer stressed that most business are financially viable if there is credit restructuring with interest rates and periods in accordance with current circumstances.

He insisted that it is necessary to seek solutions for businesses to come out ahead, allowing interest rates of up to 50 percent.

Dajer said that in the next few weeks the agreements reached with Nafin credit restructuring will be made public.

Confederation Head Discusses Growth in GNP

PA2002001395 Mexico City EL FINANCIERO in Spanish 17 Feb 95 p 21

[Report by Alberto Witvrum]

[FBIS Translated Text] Pachuca, Hidalgo State, 16 Feb—If the government manages to settle political problems within the first half of 1995, it might close the year with a growth in GNP of 1-1.5 percent, and this growth must be complemented with an effective mechanism to stabilize the exchange rate without establishing fixed parity.

German Gonzalez Quintero, president of the Confederation of National Chambers of Commerce (Concanaco), has made this statement, adding that no more mistakes should be made, because society would not be able to bear them. Far from facing a better future, its standard of living has worsened.

Gonzalez Quintero has ruled out that a moratorium is an adequate path and proposed that Mexicans who can and want to buy domestic debt do so at market prices under conditions of mutual benefit for depositors and the government, which is the one facing problems.

We should think the new privatization process opens the possibility of swapping investment for debt in the form of title deeds, "but the attitude of making the smallest effort should be eradicated, and a true economic opening should be promoted," as is already the case in the political and social areas, and competition, which is the best way to guarantee efficiency, should also be promoted.

In his opinion, this economic model, which offers solidarity and subsidies to the people, not only fights the concentration of wealth but also allows the distribution of wealth within society, starting with the workers.

Such a process must be "pedagogically guided," because society is demanding that its efforts not be frustrated as previous ones, and they want true benefits.

The Concanaco president believes that similar protection schemes, such as Ficorca [expansion unknown], and action schemes, such as Pagafes [federal treasury promissory notes], are means that could help solve the country's financial problems, prevent a flight of wealth abroad, a flight which would "impoverish us even more and delay growth," and also help us finance new development projects.

The union leader, who attended the swearing in of Graciela Macip de Diaz as president of the Hidalgo Federation of Chambers of Commerce and Jesus Anton de la Concha as head of the Canaco [National Chamber of Commerce] chapter in Pachuca, has said the months of February, March, April, and May will be "very bad" for the commercial sector, because a severe depression is approaching.

If noneconomic factors, specifically the Chiapas problem, are solved and if there is progress, such as the Jalisco election, which was clean and calm, "perhaps by June or July national and foreign investments could help us achieve a 1.5-percent growth in GNP."

The peso will not have a fixed parity with the dollar for a "long time," and thus a mechanism must be established to allow it to float without suffering abrupt falls.

On its proposals, the Concanaco president has said his group, as a consulting body, prepares them, and taking it into consideration is up to the government.

"We do it, because we believe it is best for the country," Gonzalez Quintero has said.

Industries Want Information on Economic Aid, Prospects

PA1702184695 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 15 Feb 95 p 20

[Article by Oscar Vazquez C.]

[FBIS Translated Text] Fernando Cortina Legarreta, president of the Confederation of Industrial Associations (Concamin), said yesterday that Mexico is in a "very difficult" and unfortunate situation as companies have shut down, employees have been fired, and workdays have been adjusted. In light of this situation, the private sector hopes that "no later than this week" the

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administration will disclose its final economic packages to aid the nation and the outlook for the remainder of the year.

After a meeting of the Commission for Follow-Up and Evaluation of the Pact, Cortina Legarreta emphasized that President Ernesto Zedillo received the country in a very critical political and economic situation and is confronting and resolving the issues.

"Unpopular and unfavorable solution have been taken. The remedies have been bitter, hard, and difficult, but they had to be taken. We have not seen the end of them. This is not the time to argue about whether they were the correct solutions," Cortina Legarreta said.

As for the Chiapas conflict, Cortina Legarreta said the private sector recommended the "pursuit of all persons who must be pursued," which is why we are a nation based on laws. We also asked that the law be applied to all guilty persons, that they be tried by the appropriate authorities, and that they be punished.

Moreover, without mentioning former President Ernesto Salinas, Cortina Legarreta said that the difficult economic situation the country is experiencing is not the result of a policy implemented in one month but of a policy that has been implemented for many years.

Cortina Legarreta said national industries are going through a very difficult situation because the supply side is high—inventories are high—and demand has dropped because of the crisis. In addition, he said Concamin does not believe new industries will open. On the contrary, industries will close and personnel will be dismissed.

Faced with these circumstances, we need to know the outcome of the economic packages to aid the country and what the economic prospects are.

Cortina Legarreta assured that all industrial branches are facing problems because they have been affected by declining demand and the high cost of money. We hope that situation will not be permanent, he stressed.

Cortina Legarreta said Banco Nacional de Comercio Exterior will reduce funds used to support companies, which could also happen in Nacional Financiera.

In conclusion, Cortina Legarreta said Mexicans must beware of another devaluation and excessive imports because the crisis has affected everyone, companies and individuals.

Private Sector Leaders Urge 'Immediate Action'

PA1802231295 Mexico City XEW Television Network in Spanish 0430 GMT 18 Feb 95

[From the "24 Hours" newscast; passages within quotation marks are recorded]

[FBIS Translated Text] Mexican private sector leaders spoke and made specific demands today.

The first to speak was the leader of the Concamin [Confederation of Industrial Associations]. Fernando Cortina Legarreta, president of the Concamin, participated today in the seminar on the situation and outlook for the Mexican economy in 1995. Mr. Cortina said the only possibility of restoring confidence in Mexico is to establish a reliable economic program that can be implemented and that can generate foreign exchange, a program based on economic growth and not in the absurd fight against inflation. Cortina Legarreta added:

[Cortina] "We are facing an adverse situation here. Two months have gone by since the devaluation and the country has practically been paralyzed. It has practically remained on standby. We do not believe this situation should continue."

Mr. Cortina Legarreta said the program must: 1) Eliminate institutional, financial, technological, and logistical barriers for the export of Mexican products; 2) establish clear, long-term goals for the payment of foreign debts; and 3) approve new investment projects, especially those that can replace imports and that can generate jobs.

The president of the Confederation of National Chambers of Commerce [Concanaco], German Gonzalez Quintero, also spoke.

He made an urgent appeal to the Mexican Government for immediate action to support productive activity and avoid an economic collapse. The Concanaco leader said there is confusion in the manufacturing sector because of the lack of a well-defined, long-term policy. He talked about the demands made by the Mexican business sector.

[Gonzalez] "First, the reduction of the value-added tax from 10 to 8 percent; second, the establishment of a zero-percent tax on assets owned by companies with an annual earnings of under 20 million new pesos."

Gonzalez said the government must act firmly in the adoption of economic and political decisions.

[Gonzalez] "Our confidence will be maintained if progress is made."

He said the position of the business sector is not to seek a split with the government, but to demand measures to avoid serious risks. Mr. Gonzalez said that in January the supply index [indice de abasto] dropped from 99 to 98.1 percent.

The president of the Employers Confederation of the Mexican Republic, Antonio Sanchez Diaz de Rivera, also spoke in Baja California.

Sanchez Diaz said:

[Sanchez Diaz] "This situation must be resolved soon because we are already seeing how it is adversely affecting the population of Chiapas and Mexico. It is not only adversely affecting Mexico and Mexicans, who are already tired of threats, but also adversely affecting the

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market themselves. I can say that the so-called black Wednesday saw a drop in the stock market and an increase in interest rates. It was due to the latest news on the situation in Chiapas."

He said the stabilization of the exchange rate, an interest rate reduction, as well as the refinancing of business debt are required. He said the fight against corruption and the need to continue down the path of democracy are necessary. He said that, above all, it is important to restore confidence in the country.

Poll Shows Most Businessmen View Future Unfavorably

PA1802012795 Mexico City EL FINANCIERO in Spanish 16 Feb 95 p 24

[FBIS Translated Text] Only 40 percent of Mexican businessmen have expressed their confidence in the government of President Ernesto Zedillo and have voiced optimism over the country's future, while other industrialists view business perspectives as unfavorable or very unfavorable, according to a survey published by the magazine EXPANSION.

The survey included 43 businesses of various sizes scattered around the country. Of them, 51 percent are in the manufacturing sector and believe that in the first semester the economy will grow by 0.9 percent, with a 12.7-percent inflation rate and 28.9-percent increase in the cost of money.

Most businessmen called "for the need to implement a radical change in the economic policy the government has pursued up to now;" 65 percent of businessmen stated their opposition to the continuation of the concerted price plan. In addition, 49 percent deem it necessary to adjust prices; 51 percent the exchange rate; and 88 percent wages.

Fifty percent of businessmen believe that their sales will increase during the first semester, while 21 percent expact sales to go down. However, 51 percent of businessmen view their profit perspectives unfavorably. Given the peso devaluation, 67 percent "will seek to obtain loans from domestic creditors, 25 percent will resort to foreign credits, and 8 percent will obtain financing from both types of creditors.

EXPANSION said in its editorial that "among the causes generating this atmosphere are economic uncertainty, recession, lack of liquidity, and lack of clarity in the Zedillo government's economic program."

PGR Reports Attacks on Military Agents in Chiapas

PA2102143295 Mexico City NOTIMEX in Spanish 1004 GMT 21 Feb 95

[FBIS Translated Text] Mexico City, 21 Feb (NOTIMEX)—The Mexican Attorney General's Office [PGR] has reported that military agents were shot at near the municipality of Ocosingo, in southern Chiapas State.

The PGR issued a communique stating that the Mexican Army has arrested Sebastian Mena Lopez, Ramiro Alfonso Hernandez, and Manuel Jimenez Gomez, who attacked military officers as they were patrolling and guarding the area.

Meanwhile, the Chiapas PGR was notified that minor Sergio Perez Santis, who is the son of San Juan Canuc municipal president, Lorenzo Perez Dominguez, has been kidnapped.

An eyewitness reported that two individuals wearing balaclavas and blue uniforms kidnapped the seven-year-old boy. One of them was carrying a light weapon called a "goat horn."

The Chiapas PGR ordered a special operation to find the alleged kidnappers. The Mexican Army will help by searching in the checkpoints located at the entrance to San Juan Canuc.

Attorney General on Extending Amnesty Law to Army

PA2102012195 Mexico City Radio ACIR Network in Spanish 0200 GMT 20 Feb 95

[Report by Juan Carlos Escobedo; from the "ACIR Radio News" newscast]

[FBIS Translated Text] Antonio Lozano, attorney general of the republic, has said the amnesty law which Congress has approved could be extended to the Mexican Army if the legislators of the various political parties so determine. During the celebration of Mexican Army Day, Lozano, who is also a deputy taking a leave of absence, has said there were no contradictions in the actions taken in Chiapas, because the president's priority is to establish law, order, and peace. Regarding this issue, Lozano has said the suspension of the arrest warrants against members of the EZLN [Zapatist National Liberation Army] could be granted but only after the amnesty law had been promulgated.

Lozano has said the federal police, with the Army's support, will perform its duty in the meantime, but he has confirmed the police's actions will not interfere with the pursuit of the reinitiation of the peace talks.

Lozano has said there is no news at this moment regarding the whereabouts of so-called Subcommander Marcos. Lozano has said he was at the disposal of the deputies who have asked him to give a report on the actions in Chiapas.

Lozano has discussed the Amnesty Law in full. He has said Congress must determine whether the amnesty law will be extended to members of the Mexican Army who may have participated in criminal actions:

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[Begin recording] [Lozano] [Words indistinct] first, the period the amnesty law will cover has to be determined. It must then be determined to which individuals the law refers, who is eligible to receive the benefits of the amnesty, what are the conditions or requisites that must be met, specifically, so that the benefit of amnesty to individuals may be verified. Last, it must consider during what period the individuals can adhere to these benefits.

[Unidentified reporter] [Words indistinct]

[Lozano] Of course. That is one of the decisions Congress must make. [end recording]

Lozano has said that according to the accusations made by Mexican Petroleum, the necessary investigations are being conducted to determine whether the explosion of the gas pipes in Tabasco was accidental or the result of a criminal act.

Regarding the case of Juan Pablo De Tavira, director of the Federal Judicial Police, Lozano has said there is an ongoing investigation to determine culpability, which includes an internal investigation.

Imprisoned EZLN Leaders Transferred to Tuxtla Gutierrez

PA2102191995 Mexico City XEW Television Network in Spanish 0430 GMT 18 Feb 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Three alleged leaders of the EZLN [Zapatist National Liberation Army] are no longer in Mexico's maximum security prison. The three alleged members of the armed group, who had been taken to the high security prison in Almoloya de Juarez in Mexico State, have been sent back to the Tuxtla Gutierrez prison compound. This is according to Gilberto Ocana Mendez, human rights director in Chiapas.

[Begin Ocana Mendez recording] At 1945 yesterday, inmates (?Jose Sebastian Elzin Gomez), Jorge Javier Elorreaga Verdegue, and Jose Jorge Santiago Santiago were brought back from the high security pavilion in Almoloya de Juarez in Mexico State. According to the note sent to me by Jose del Toluca, third district judge in Mexico State, the transfer was necessary because he had rejected a request from the first distrcit judge of Chiapas State. [end recording]

Two of the men, Elorreaga Verdegue and Santiago Santiago, allegedly leaders of the EZLN, are being held in a special area of the Tuxtla Gutierrez prison compound known as Cerro Hueco. Ocana Mendez said they are in good health and that the first district judge of Tuxtla Gutierrez will handle this case.

Party Leaders on Political Solution in Chiapas

PA1702044995 Mexico City UNOMASUNO in Spanish 16 Feb 95 p 2

[Report by Jose Quintero Arias]

[FBIS Translated Text] The national leaders of four parties—namely, the PRI [Institutional Revolutionary Party], PAN [National Action Party], PRD [Party of the Democratic Revolution], and the PT [Labor Party]—met on the night of 15 February with members of the legislative Commission for Dialogue and Conciliation in Chiapas, with whom they agreed on several points and decided their full support for the efforts of the aforementioned commission to "restore the political solution to the conflict in Chiapas by placing understanding above the use of force."

PRI's Maria de los Angeles Moreno, PRD's Porfirio Munoz Ledo, PAN's Carlos Castillo Peraza, and PT's Alberto Anaya also agreed to recognize "the legitimate social reasons that sparked the conflict and the need to confront them immediately."

At the closed-door meeting held at the senate of the republic installations, located at 82 Morelos Street, it was also said that the nation "owes Chiapas a debt that must be settled immediately."

The parties expressed their willingness to meet again to discuss a wide agenda by recognizing that local and national issues have their own venue for discussion.

The communique on the agreement the four parties and the members of the aforementioned commission signed was read by Chiapas Senator Pablo Salazar Mendiguchia, who deemed this meeting as "fruitful, a meeting in which the parties gave all their support to this commission, which will visit Chiapas tomorrow—today."

Before this, Munoz Ledo briefly commented that the leaders' meeting was positive, because it sought the immediate peace solution in Chiapas. "The nation has the imperative need to promote a fair, worthy, and lasting peace process in the state. The future of the country's institutions depends on this process," the former senator added.

Senator Maria de los Angeles Moreno, PRI national leader, also made brief statements. She said she was pleased with the meeting held by the four parties' leaders, pointing out that the main idea was to "voice our most fervent support for the peace efforts in Chiapas."

Returning to the Negotiations

At the end of the meeting, we interviewed Senator Salazar, who is the spokesman of the aforementioned commission; we asked him if the legislators will try to meet with Marcos. The senator replied: "We will try to hold direct or indirect talks to ensure one of the parties will return to the negotiations table, because one of them two days ago told us of its interest in finding once more a political solution."

As for the arrest warrants against the EZLN [Zapatist National Liberation Army] leaders, he recalled that the president of the republic ordered the suspension of all actions that might trigger confrontations. "We must

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stress this fact; it is a petition that the commission made to the president. He was very consistent, because we told him we needed this respite to create the conditions for the task we want to undertake in Chiapas."

In addition to the leaders of the four political parties, Senators Heberto Castillo, of the PRD; Luis H. Alvarez, of the PAN; and Hugo Andres Araujo, of the PRI, attended the meeting, among others.

Implications of Chiapas Conflict Cited

95CA0135B Mexico City LA JORNADA in Spanish 15 Feb 95

[Commentary by Emilio Pradilla Cobos: "In the Capital 'All of Us Are Indians'"; received via Internet]

[FBIS Translated Text] For five hours last Saturday, Reforma, La Alameda Central, Francisco I. Madero Street, and Mexico City's Zocalo were filled with women and men, voices and written messages calling for peace in Chiapas and throughout Mexico, a peace threatened by the government's decision to unilaterally break the truce with the EZLN [Zapatist Army of National Liberation] and by the subsequent armed actions. The cry "Todos somos indios" [We are all Indians] shouted by over 100,000 Mexico City residents of varying social classes, age, ethnic origin, and political and religious beliefs, reaffirmed the national identity embodied in our Indo-American roots and history in the face of the acute threat of war in Chiapas against the backdrop of the profound economic, political, and social crisis. The verbal and written messages of the crowd and its spokespersons brought to light the fundamental elements of the current situation, whether through analysis, agitation, joking, or popular wisdom.

The economic, political, and social conflict underlying the military one is not being played out in Chiapas alone. It is spilling over our national boundaries into Central America; it is moving northward through the marginalized, excluded states of Oaxaca, Yucatan, Tabasco, Veracruz, Guerrero, and Puebla with their large indigenous populations; it is moving into the working-class districts of the big cities in central Mexico and our country's capital, which are hit hard by unemployment and dire poverty; it is continuing on toward our northern border, leaving its imprint on the Sierra Tarahumara and its Indian population, which has been decimated by hunger, and on many peasant communities that lost all hope amid the inhuman "globalization" of big capital; it is invading the fields and cities of the United States, where millions of Mexicans are trying to survive amid xenophobia, excessive exploitation, segregation, and repression by businessmen, government officials, and racists in that country. That is why everyone was shouting "Todos somos Chiapas" [We are all Chiapas].

Tens of thousands of voices rang out against the authoritarian and repressive alliance among the PRI-government, PAN [National Action Party], the business leaders who are subordinate to the State, and the conservative church hierarchy against the rebels, their supposed leaders, who are being seized or persecuted without trials, peace mediators like Bishop Samuel Ruiz, and the nongovernmental organizations that provide humanitarian aid to indigenous and peasant communities. They rang out against the ineffectiveness of the justice system and the cover-up of those responsible for the political crimes of 1994 and against its suspect efficiency in persecuting social activists. The lies permeating official discourse, the manipulation or concealment of information by official spokespersons and government-controlled media regarding the political assassinations, the 1994 elections, the economic crisis, the "bailout" loan, with strings attached, from the United States, the restricted dialogue with the EZLN, and the disguising of the decision to wage war with remarks devoid of logic and truth, all of this contrasted with the collective wisdom of people who have ceased to believe the empty words of government officials with no social support.

The phrase "the life of one Indian is worth more than one percent on the Stock Market or the $51 billion in foreign loans" summed up the contradiction that Mexican society and our city are experiencing: a failed economic policy that sacrifices the interests and needs of the majority of the population, especially the weakest, for the profits of a handful of domestic and foreign multimillionaires and financial speculators. "Salinas to Almoloya" [a reference to federal prison at Almoloya, Mexico State], a demand to put him and his policies on trial, seems to be the epitaph of neoliberalism that thousands of its victims have written.

Nearly 100,000 people demanded peace. Not the peace won by military boots, rifles, truncheons, and bloodshed, but rather the peace that comes from dialogue without betrayal, full democracy, respect for people's identity and pluralism, fairness and economic and social justice, the well-being of the impoverished masses (not the well-being of the few who became inexplicably wealthy), a defense of the dignity of the different ethnic groups and their special characteristics. The demonstrators contrasted the peaceful language of Mexico City residents with the government's warlike language. When Ofelia Medina, the woman, actress, and poet who overflows with emotion and is Mexican through and through, said "enough already" today (echoing the same words uttered last year), she summed up the feelings of the people from every corner of the capital who this afternoon took over the historic downtown area, the symbol of the city's and Mexico's history.

Daily life in the city has changed. Three-thousand Judicial Police agents are swarming all over, even in the universities, searching for phantasmagoric evidence to fabricate culprits. The everyday bureaucratic and police corruption grows more suffocating. The official lies, echoed by the State-controlled mass media, are an affront to intelligence and reason. Fear, irrationally

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manipulated by conservatism, is spreading. Individual violence is taking over the streets. Also on the rise, however, is the number of hands, hearts, and minds that are demanding peace with dignity and justice for all, that is to say, democracy.

Attorney General on Attempted Murder of PJF Director

PA1902235695 Mexico City REFORMA in Spanish 17 Feb 95 p A-4

[Report by Maria Idalia Gomez, Gerardo Roman, and Rodolfo Montes]

[FBIS Translated Text] Attorney General Antonio Lozano Gracia said yesterday the investigations into the alleged murder attempt against Juan Pablo de Tavira, director of the Federal Judicial Police [PJF], by members of de Taviria's own bodyguard will be carried out to the end.

Lozano has said that the investigations continue and that de Taviria remains at the head of the PJF.

It has been reported that the initial investigations into this case were assigned to the 7th Criminal District Court, which has probably ordered the arrest of members of de Tavira's escort.

Although it has been unofficially reported that three individuals, including Alberto de Jesus Castillo de la Riva, chief of the group that assists the escort corps, have been arrested since 15 February, the Office of the Attorney General has denied knowledge of these rumors.

Lozano said yesterday, during a radio interview, his office will make a petition in a matter of hours for information for the legal authorities.

Luis de Ravira has said his brother, Juan Pablo, is out of danger now although there is no way of knowing whether he could have a relapse just as the one he had on 18 January due to a new loss of myelin in his brain.

The playwright has said his brother is in stable condition and shows signs of recovery although it is not certain he will be leaving very soon because there is nothing to be done other than to wait for the body to produce the myelin it needs.

It has been reported that the FBI, DEA, and the U.S. Department of Justice asked Mexican authorities yesterday for information on the attack on the PJF director.

The De Tavira case was discussed during the second day of talks held in the Foreign Relations Secretariat to strengthen the antinarcotics struggle by the United States and Mexico according to members of the U.S. delegation who asked not to be identified.

They said that during the private meeting they asked Rene Paz Horta, commissioner of the National Counternarcotics Institute [INCD], and Luis Herrera Lasso, chief director of the Migration, Human Rights, and Narcotics Office of the Foreign Relations Secretariat, for data on the causes of the attack on the official.

Other participants at the meeting were Juan Rebolledo, under secretary of the Bilateral Affairs Office of the Foreign Relations Secretariat, and Deputy Attorney General Rafael Estrada Samano.

They disclosed: "They told us that an investigation is on, that they intend to get to the bottom of the matter, and that the initial probing indicates there was an attack."

INCD Director Paz ither denied nor confirmed this information at the end of the meeting.

He said: "I cannot make any statement, excuse me. I have not been authorized to give information. Do not feel bad. These are higher orders."

Spokesmen for the Foreign Relations Secretariat have said this issue was not part of the agenda discussed during the past two days.

Attorney General Establishes New Anti-Narcotics Unit

PA2102192295 Mexico City UNOMASUNO in Spanish 20 Feb 95 p 14

[FBIS Translated Text] The Attorney General's Office (PGR) announced yesterday that in response to new systems used by organized Mafia to introduce, transfer, and distribute drugs in the country, a group called Sensor Binomial [Binomio Sensoras], a team trained in tracking, seizing, and locating hidden drugs in secret compartments has been created.

The PGR added that the group is made up of antinarcotics agents within the Federal Judicial Police and of dogs trained with chemicals that smell just like drugs, which heighten the animal's "hunting instincts" while warding off the possibility that it will become addicted to the stimulants.

Results in the last few months of the plan designed to fight and prevent the sale and consumption of drugs are the driving factor in the attorney general's decision to reinforce the "corps needed to detect strategic areas used most frequently by drug traffickers."

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El Salvador

Spain's Gonzalez Confirms Continued Support for Peace

PA1702032495 San Salvador Radio Cadena YSU in Spanish 0000 GMT 13 Feb 95

[From the "YSU Radio News" newscast]

[FBIS Translated Text] Spanish Prime Minister Felipe Gonzalez has confirmed his country will continue to support El Salvador's peace process. Gonzalez and his delegation made up of by high-ranking government officials and executives arrived in the country on Saturday night for an official four-day visit. The Spanish prime minister began a busy agenda with a visit to the presidential house where he was received by President Armando Calderon Sol.

[Begin Gonzalez recording] We see the hard-working and enterprising spirit of your people. That is why we were sorry to see the civil confrontation. We understand it very well. It was not in vain that Spain experienced a time of extremely hard and difficult civil confrontation, which took us decades to overcome. I want to tell you that before becoming prime minister and as prime minister I have followed step by step the ups and downs of the Salvadoran political situation. I have always followed with interest and if I may say so, with some passion, events in El Salvador. That is why we have tried to stand by this people, dear Salvadoran people, in moments of suffering but above all, when the channels for peace were opened through dialogue. We have wanted to suport the entire peace process by contributing our small share to that process, contributing to it not just with our encouragement and motivation but also with the presence of Spanish military and police forces and [word indistinct]. Having suported the peace process of the Salvadoran people, having been present that unforgettable day in Chapultepec, today I want to tell you Mr. President that my presence here is testimony that we also want to participate in the reconstruction and development of El Salvador. You can count on us, on the Spanish Government, and I dare to say, on the Spanish people, in this new phase of reconstruction, development, social justice, liberty, and brotherhood that has begun in El Salvador. [end recording]

The Spanish prime minister and the Salvadoran president privately analyzed bilateral commercial relations and the Salvadoran peace process. President Armando Calderon confirmed that before Felipe Gonzalez leaves the country, they will sign a $100 million agreement.

[Begin Calderon recording] We have spoken [words indistinct] cooperation and investment. We are also going to sign, if possible, an agreement [words indistinct] approximately $100 million cooperation in credits for Spanish products and services [passage indistinct]. [end recording]

El Salvador is the first leg of the Spanish prime minister's Central American tour. Felipe Gonzalez will travel from El Salvador to Honduras on 14 February and will leave on 16 February for Nicaragua where he will conclude his first official tour of the region.

Calderon Sol, Gonzalez Hold News Conference

PA1702035695 San Salvador Radio Nacional de El Salvador Network in Spanish 1730 GMT 14 Feb 95

[News conference by President Armando Calderon Sol and Spanish Prime Minister Felipe Gonzalez with local and foreign journalists and unidentified moderators, on 14 February; place not given—live or recorded]

[FBIS Translated Excerpt] [Moderator] We will listen to His Excellency Don Felipe Gonzalez, president of the Spanish Government.

[Gonzalez] Briefly, Mr. president, I want to express my gratitude for allowing me the opportunity for this visit to El Salvador. You know that for me this has a double meanings—both a personal as well as a political meaning. I do not want to again delve on the personal issue, but do want to discuss the political one. It has great meaning to be able to tell you, as one says back home, that this work may be described as God helps those who help themselves. We have made an effort during an historic stage of El Salvador and now we are willing to perfect the legal and economic instruments to provide ever-increasing cooperation between Spain and El Salvador. This is the action we have just celebrated and this more or less completes the visit. I want to reiterate my deep thanks for the opportunity to see first-hand El Salvador's new reality. This morning has been especially rewarding for me, visiting the new Police Academy, as well as the education programs I saw the first day. Thank you, Mr. President.

[Moderator] Now we shall listen to President Armando Calderon Sol.

[Calderon Sol] Briefly, I want to thank Don Felipe Gonzalez, a man who has helped El Salvador find understanding and peace. We shall always be grateful to Spain, Don Felipe, his government, for his help and noble intention to understand the Salvadoran people. We are still experiencing some problems regarding compliance with the agreement, which he is witnessing, but we are sure that we are on the path to peace, understanding, and the consolidation of democracy. For us, it has been a real honor, Don Felipe, to have you here and to receive this Spanish cooperation, which we also want to become a true association—we want Spanish investors to become partners in El Salvador's progress and for them to invest here in our fatherland. Many thanks.

[Moderator] We are about to begin the news conference. We have Guillermo Palencia asking a question on behalf of Television Nacional.

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[Palencia] Good afternoon. I have a question for Prime Minister Gonzalez. You have described yourself as a staunch defender of peace. In what aspects of the peace process that you have faithfully supported have you seen difficulties during your visit today?

[Gonzalez] Some difficulties can be foreseen, while others are not. For example, the delivery of land is gradually taking place; although there has been some delay, this agreement is being complied with. Shortly after my arrival, the president expressed his willingness to expedite the process of land transfers, which is extremely important.

We can say that El Salvador has made great efforts to comply with the agreements. I would like to make an observation, on a basic point frequently overlooked. When the peace agreements were signed, it was impossible to know how much it would cost. This is probably because peace has no price. It has a value, but not a price. The country is making great efforts and the international community is contributing to guarantee its implementation and full compliance. I am confident that despite the difficulties found along the way, we will finally see it all as the day after and not as the day before. The Chapultepec agreements represent a milestone; they marked the day after in the history of El Salvador. [passage omitted]

[Moderator] The next question will come from Tony Mineros. I would appreciate it if you could speak a little louder.

[Mineros] As a representative of the written media, I would like to know more about economic agreements signed with El Salvador, particularly one for $100 million announced yesterday with a private enteprise, which could even be expanded. I would also like to hear President Calderon Sol's comments on these agreements between the Spanish and Salvadoran Governments, which undoubtedly seek to broaden our country's economic reconstruction.

[Calderon Sol] Definitely, the Spanish Government is giving us wide support through this financial aid program. We view this cooperation as very timely for the economic plan the government is currently promoting to lead the country to higher levels of economic development and to globalize its economy. Spain is giving us $100 million in credits to acquire Spanish capital goods and services. As you know, Spain has a strong economy and a strong industry and specializes in many fields, therefore, it can sell us many capital goods so we can produce more in El Salvador. These cooperation agreements are vital for our economic recovery and to encourage private and foreign investments in El Salvador. As we said, we want to be partners with Spain through investments. We want Spanish investors to be able to invest in El Salvador with confidence and assurance. That is why we have implemented a free convertibility plan and have a fixed exchange rate. We are modernizing and globalizing our economy, so Spanish investors will feel confident and sure that they are investing in a stable country where we can be real partners for our national progress.

[Moderator] Emilio Crespo from...

[Gonzalez, interrupting] If you do not mind, I will also answer the previous question, as it concerned both of us. We have signed two instruments, one of a legal nature and the other one financial. The legal instrument is to promote and protect investments. It is like opening a channel to reciprocal investment projects that will generate legal confidence and will offer guarantees to investors.

In addition, there is a financial protocol for $100 million. Why $100 million? For example, you must know that in one year exports and imports between El Salvador and Spain amount to approximately $60 millio, therefore, the $100 million must be viewed within the context of that flow of exports and imports, which we believe is too low. We want to expand our trade relations and naturally our investments.

As I have said, we have signed both legal and financial instruments, consisting of a credit for development, under very favorable conditions, and another credit known as [word indistinct] consensus. This combination of credits provides financial assistance to support El Salvador's productive system. That is why I believe this agremeent, this financial accord, will be useful in the future. [passage omitted]

[Moderator] Rossy Castillo, representing Salvadoran radio stations.

[Castillo] Welcome to El Salvador. Regarding the short-term aid you are offering, some groups have stated their opposition to privatization. In addition, former members of the Armed Forces and the Farabundo Marti National Liberation Front are demanding compliance with the agreements. The reason for this is that we are not receiving immediate aid from abroad. Is your government willing to help El Salvador immediately to prevent the rupture of the peace process?

[Gonzalez] First of all, I do not want to make any statement that could be seen as an intervention in domestic policies. The Salvadoran Government is a legitimate government that makes its own decisions and assumes the consequences for its decisions. I have nothing to do with that. Second, we are not talking about immediate support, because we have been supporting the peace process from the beginning. If we must complement those efforts, even through our relations with the EU, we will do so. In no way would we like to see the peace process interrupted after so much progress has been made in implementing the peace agreements, due to lack of support from the international community. You can not only count on me from now on, you have had my support from the beginning of the process, and you will continue to have it. [passage omitted]

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[Moderator] Raul Monge, representing the international news agencies.

[Monge] My question is for Spanish Prime Minister Felipe Gonzalez. Central American governments have always been willing to cooperate to find a solution to the Cuban problem. In other words, they are demanding democratic openings on the island. A few days ago, Guatemalan President Ramiro De Leon Carpio proposed holding an Esquipulas III meeting to begin a dialogue process between the opposition and the Castro regime. The Cuban Government rejected that proposal. Since you have had more contact with Mr. Castro, how do you view that rejection and Central America's initiative to promote a dialogue?

[Gonzalez] Well, let's see. I believe any initiative in the right direction is welcome and is good. I believe so. I do not know if Fidel Castro has rejected the initiative. I have no knowledge of that, therefore, I would prefer not to make any comments without having solid foundations. As I mentioned to President Calderon yesterday when we discussed the subject, in September last year, the Cuban foreign minister met in Madrid with very respectable representatives of the opposition. This was the beginning of a dialogue that made us believe that the reconciliation process had begun, which in my opinion, can and should continue, without any intervention in Cuba's development.

As I have been saying for many years—I am only repeating myself today—Cuba is part of the Latin American-Ibero-American project for democratization, peace, modernization, and economic development. I believe that project of integration and development for the entire continent deserves the effort of Cuban authorities to seek rapport with the other countries. Undoubtedly, Cuba should and must be integrated and wants to be integrated. I believe I have been clear. Integration processes are not possible when there are institutional differences. It is not possible to integrate an authoritarian government with a democratic government in an area of free market and cooperation among institutions. [passage omitted]

$100 Million Accord Signed With Spain

PA1702040695 San Salvador Canal Doce Television in Spanish 0100 GMT 15 Feb 95

[From the "Up-to-Date Newscast"; passages within quotation marks are recorded]

[FBIS Translated Text] Spanish Prime Minister Felipe Gonzalez was reportedly inside the Government House while the recent disturbances took place, however, this did not prevent him from signing with President Armando Calderon Sol a promotion, investment, and technical assistance agreement worth millions of dollars. He also pledged to request more assistance from the EC for El Salvador.

The Spanish prime minister concluded his visit to El Salvador with the signing of bilateral agreements that will promote reciprocal investments and technical cooperation, as well as a global economic and financial program. The Spanish aid totals $100 million.

Felipe Gonzalez termed the aforesaid amount minimum, and said it will increase as Spanish investors bring their capital here.

[Gonzalez] "They have a [word indistinct] credit component, credit to aid development, under very favorable conditions and another component of credit called (?OCD Consensus). This combination of credits will result in a sizable financial contribution to the productive development of El Salvador."

Following the signing of the accord, President Calderon Sol expressed his satisfaction with the support and cooperation of [words indistinct] at a time when El Salvador hopes to globalize its economy.

[Calderon Sol] "There are still some problems regarding compliance with the accords. He is seeing it, but we are confident that we are moving along the path of peace, understanding, and consolidation of democracy."

During a news conference held with domestic and foreign journalists and after the Adefaes [Association of Demobilized Armed Forces Members] march in front of the presidential house was dissolved, Felipe Gonzalez asserted that despite social and criminal problems in the country, the peace process will not be interrupted.

[Gonzalez] "There is no price for peace. There is a value for it but not a price. An enormous effort is being made. The international community is helping to guarantee the implementation of and full compliance with said accords.

"I am hopeful that despite the obstacles along the way, the accords can be implemented."

Felipe Gonzalez visited the National Public Security Academy, where he reaffirmed his commitment to cooperate with the institution, both providing economic resources and advising training officers. Given the disturbances, the farewell ceremony slated for the presidential house was suspended and was held at Comalapa Air Base. There, the Spanish delegation and Felipe Gonzalez were seen off amid gun salutes and music played by the Military Academy band.

The Spanish prime minister has done his part by requesting aid for the country's economic development. It is now up to the Salvadoran Government to use the resources to promote national reconstruction wisely, without [word indistinct] compliance with the peace accord.

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Honduras

Spanish Prime Minister Gonzalez Addresses Parliament

LD1502202795 Madrid RNE-1 Radio Network in Spanish 1900 GMT 15 Feb 95

[FBIS Translated Text] In Honduras today Prime Minister Felipe Gonzalez is on the second leg of his official visit to Central America. In the Honduran parliament, the Spanish prime minister once again spoke about the necessary respect for justice in a law-based state. He did so along the same lines as his statements yesterday in El Salvador. A report on this from our special correspondent, Pedro Fernandez Cespedes.

[Fernandez Cespedes] In all the public statements by Prime Minister Felipe Gonzalez in Tegucigalpa this morning—his second day in Honduras—prominence was given to the references he made to the judicial system as a key element capable of profoundly transforming a country. He offered the Hondurans help in reforming their judicial system—one of the big problems this country faces in modernizing its state—and he recommended to them as his personal conviction the need to respect the administration of justice and the role of judges as a driving force of the ethical regeneration of society. He said this in the parliament:

[Begin Gonzalez recording] The successes in the struggle against delinquency, organized crime, and drug trafficking, and the offensive under way against corruption are, in short, intimately related to bringing the judicial system into line with the new times, a judicial system that must become the driving force par excellence of new ethical and moral standards. [end recording]

[Fernandez Cespedes] At the Supreme Court of Justice of Honduras he made a number of critical comments, above all to those who have referred to the slowness of justice and the need to speed up judicial processes, recalling that these reforms are also pending in Spain.

Comments Before Departing

PA1702224695 Tegucigalpa LA TRIBUNA in Spanish 17 Feb 95 p 13

[FBIS Translated Excerpt] Hours before departing, Spanish Prime Minister Felipe Gonzalez endorsed the decision by Mexican President Ernesto Zedillo to send troops to crush the rebel outbreak in that country.

"I would not allow any part of my country to be out of the hands of the government," Gonzalez stated, concurring with the views of his host, President Carlos Roberto Reina, on Mexico. The two leaders yesterday held a news conference organized by the Press Secretariat at the Palace of Government.

Gonzalez announced a trip to Mexico to discuss the Chiapas problem but felt that no government can allow the state to be absent in any part of its territory. "The presence of the authority must be extended all over the state because it is ruled by laws," he said.

"I would not tolerate any part of the territory that I represent to be outside the government's hands," he said referring to the situation in Mexico that President Zedillo is facing.

Reina, in turn, called the situation worrisome; it would be terrible if that conflict had ties to the Guatemalan guerrillas, which is why an immediate decision must be made.

When asked to comment on the alleged ties between the Chiapas Zapatist rebels and the ETA [Basque Fatherland and Liberty] rebels, the Spanish prime minister responded: "I do not know, and if I knew, I would not say for security reasons and because I have to do my duty."

Prime Minister Felipe Gonzalez described himself as a politician without historical hang-ups with regard to investing in Honduras. "We feel a brotherhood with Central America and act from that standpoint," he stated. In his opinion, Spain is demonstrating its commitment to Honduras with specific acts and not long speeches. He added he had no historical hang-up. There is no arrogance in the economic relations among businessmen from the two countries. If a Honduran wants to invest in Spain, there is no problem, as has been done already in the cement companies.

Referring to the preferential treatment Honduras is requesting on the export quotas for bananas—our main export crop—he said they cannot be raised because an agreement exists on the matter. An agreement exists with producer countries like Costa Rica, Colombia, Ecuador, and Honduras with the the EC, whereby 60 percent of the imports from this region represents 3 percent to 5 percent annually. [sentence as published]

"A restriction on free trade, in the pure sense of the word, exists, because the EC's system to protect production hurts Spain by 7 percent with regard to that 60 percent," he explained.

The guaranteed banana price represents an advantage, he added, a situation that is not the same for coffee. He hoped an agreement will be reached on an equitable and just distribution.

The Spanish reporters were so surprised by the high profile and control the Honduran Armed Forces have that one of them asked for an explanation of the troop review in which General Luis Alfonso Discua Elvir participated during Gonzalez' arrival.

Reina explained that the customary troop review is a matter of protocol, "but it could be changed at the right moment and because there has been talk of putting an end to the phase of having an Armed Forces chief." [passage omitted]

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Deputy Threatens To Sue U.S. Over Visa Issue

PA1802034595 San Pedro Sula TIEMPO in Spanish 16 Feb 95 p 7

[Report by Vladimir Recinos]

[FBIS Translated Text] Tegucigalpa—Liberal Party of Honduras Deputy Jorge Roberto Maradiaga said yesterday that unless the U.S. Embassy apologizes to him and 16 other offended citizens, he will sue the U.S. Government.

"I am not going to ask that they not cancel the visa, but I did speak to an attorney who lives in the United States and he confirmed to me that the road is clear to present a lawsuit of several million dollars," he said.

"If I do not receive an apology or an explanation, let there be no doubt that I will sue. The lawyer is waiting and interested because it is going to make him a lot of money," he added.

A few days ago, embassy officials requested the U.S. State Department to cancel Mradiaga's visa and the visas for 16 other citizens, arguing that a U.S. military member was struck, injured, and insulted by all of them over Christmas.

Maradiaga said U.S. reports state that in Honduras, justice is applied to protect the elite, and "they cannot talk about that because they prejudge their fellow citizens. If they cancel our visas, they are saying that we are guilty and this goes against what they preach."

Maradiaga believes that the fact that the National Congress approved a motion for the executive branch to request an explanation from the embassy is an act of solidarity with the 17 citizens involved in the case.

General Discua on Civilian Predominance Over Military

PA1802033295 San Pedro Sula TIEMPO in Spanish 16 Feb 95 p 7

[Report by Carlos Mauricio Flores]

[FBIS Translated Text] Tegucigalpa—General Luis Alonso Discua Elvir, chief of the Armed Forces, said yesterday that the civilian authority's predominance over the military must not be interpreted as "placing a boot on the neck" of the men in uniform.

Discua Elvir, who attended the solemn session of congress that listened to Spanish Prime Minister Felipe Gonzalez, was asked by reporters to comment on Gonzalez' statement that in a democracy, the military sector must be subordinate to the civilian authority.

"We are subordinate to the executive branch," he said, adding that sometimes the concept of predominance of the civilians over the military is interpreted "as if a boot or shoe should be placed on top of us and we should not get up, as if a shoe should be placed on top of the military member and he should not get up. I do not agree. I think everyone has their rights and obligations, and the Armed Forces have their rights."

Discua Elvir said he shares the viewpoints expressed by Gonzalez in the economic, political, and social aspects, and he stressed that there is no confrontation with the country's civilian authorities. He added that there has been cooperation between the Spanish and Honduran military sectors, especially in the areas of training and medicine.

The general reiterated that the reorganization of the police is not easy, adding that efforts are being made to prevent its politicization and the mistakes of the past. He added that the process must be done in stages, in a programmed way, and not overnight, while looking to see who will head the police.

He said the current structure of the police is not bad considering that it has the needed human resources to become more professional. He said what it requires is material support because criminals have improved their technology and the police have been left behind.

He said that if a change is going to be made in the police it must be aimed at improving services, with a greater number of members, a higher budget, and better equipment.

He again said that social problems are not generated by ideological problems but by economic problems, something that is not only true in Honduras but in all Latin America.

He said the outbreaks of violence could continue in the country because there is dissatisfaction and there are needs, so a way must be found to solve problems without just making promises.

Nicaragua

Spanish Prime Minister Urges Deputies To Reach Consensus

PA2002012995 Managua BARRICADA in Spanish 18 Feb 95 pp 1, 2, 5

[Report by Carlos Garcia Castillo and Xavier Rayo]

[FBIS Translated Text] Obviously referring to the constitutional amendments approved by the National Assembly, Spanish Prime Minister Felipe Gonzalez Marquez has urged Nicaraguan deputies "to make a special effort and demonstrate political generosity by reaching a consensus on the contents."

Speaking at a special ceremony held at the National Assembly, Gonzalez has said the economic reactivation requires political stability, adding that the various political and social forces must reach an agreement on the rules defining the country's political and economic framework for the next years.

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During the ceremony, Gonzalez, leader of the Spanish Socialist Workers Party, was decorated with the Order of Pedro Joaquin Chamorro Cardenal, Martyr of Public Liberties.

Gonzalez has said the Spanish Government has supported and will continue supporting the policy of agreements and commitments among the various political forces, adding that he is convinced reactivating the political and social dialogue will lay the foundations for a future of economic prosperity, peace, and democracy in Nicaragua.

Gonzalez, who has played a prominent role in the peaceful transition that consolidated Spain's economy during the past decade, has said "the government branches should share the responsibility of making Nicaragua a free and prosperous country, a country belonging to all Nicaraguans, without impositions or exclusions."

"Democracy is the common house for all positions. Each and every point of view is respected. In democracy, he has said, there is room for all, without any exclusions."

He added "it is hard to imagine how the foundations for that common house can be strong without a previous agreement on what those foundations will be made of. When decisions are made on the path a country will follow, it is extremely important to reach a consensus, he has said. [no closing quotation mark as published]

In a moderate and respectful tone, Gonzalez has said deputies must seek a dialogue to define the common interests of all Nicaraguans.

Spaniards Willing To Invest

In his speech, Gonzalez expressed his satisfaction over the consensus reached by the Nicaraguan political class to finally institutionalize the Army. "I am pleased with Spain's contributions to that consensus."

Gonzalez was accompanied by a large group of Spanish businessmen who reaffirmed their willingness yesterday to invest in Nicaragua an amount close to $40 million.

Gonzalez had breakfast yesterday with local businessmen and Presidency Minister Antonio Lacayo at the Intercontinental Hotel. The group of Spanish investors accompanying Gonzalez met with the Nicaraguan economic cabinet afterward.

Cosep [Higher Council of Private Enterprise] President Gilberto Cuadra has said the business sector discussed with Gonzalez its general views on the country's situation, with total frankness and without trying to hide factors that apparently make foreign investment in Nicaragua unfeasible.

Meanwhile, Chamber of Commerce President Roberto Teran has described the broad possibilities of investment in Nicaragua, saying Nicaraguans have created those opportunities "in a climate of security and confidence."

Teran has invited Spanish businessmen to discover areas of possible joint investments in the country through mechanisms to be guaranteed and made more flexible by the state to promote economic development.

He added that resources are still necessary to support the economy despite the existence of 10 private and two state banks. The Spanish visitors have expressed interest in supporting energy projects through bank branches in Panama.

Chamorro, Spain's Gonzalez Hold News Conference

PA2002042795 Panama City ACAN in Spanish 2129 GMT 18 Feb 95

[FBIS Translated Text] Managua, 18 Feb (ACAN-EFE)—Today, Spanish Prime Minister Felipe Gonzalez talked about his country's efforts to increase European cooperation with Latin America and said aid to Central America is the highest assistance, in dollars per capita, granted by the European Union in the entire world.

In a joint news conference with Nicaraguan President Violeta Chamorro following a three-day visit to Managua, Gonzalez said he opposes the idea of conditioning the aid upon the return of the property confiscated by the previous Sandinist regime from Spanish citizens.

"A policy of this type punishes the people, not the government," said Gonzalez, who, nevertheless, said priority has been given to the solution of this problem and said he hopes it will be resolved soon.

President Chamorro said she did not ask Gonzalez to pardon Nicaragua's debt (some $300 million of a total of $11 billion) but said she did ask him "not to abandon us."

The president and the prime minister said they hope the conflict in Chiapas will be resolved by means of a dialogue, and Gonzalez said he even understands the military measures adopted by Mexican President Ernesto Zedillo to guarantee the presence of the state in the entire territory.

It is not a matter of being "a correct or incorrect policy; it is an obligation," Gonzalez said, adding that any president would have to do the same to guarantee the state of law in the entire country.

The Nicaraguan president mentioned the situation in Chiapas and said her impression is that "the boys who are acting up in Chiapas want to talk and hold a dialogue," and she asked God that Zedillo's efforts "be fulfilled for everyone's sake."

On the problems with the confiscated property, Gonzalez rejected the "temptation" into which certain countries fall to place conditions on the aid. He said, however, the problem with the "owners of the confiscated property" was the first thing he discussed in his

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meetings with President Chamorro and said he hopes a solution will be found "soon."

Gonzalez said that his obligation is to defend Spanish citizens wherever they may be and that the current Nicaraguan Government is not responsible for the confiscations, but it should help find solutions to the problem.

On 16 February, the Spanish Government received a group of 26 Spanish citizens living in Nicaragua who demand the return of a total of 86 houses and farms that were confiscated from them by the Sandinist government (1979-1990) worth approximately $40 million.

Nicaragua has seen U.S. aid being suspended several times in the last few years due to pressures from U.S. Republican congressmen who are demanding the return of the property confiscated from U.S. citizens.

President Chamorro said the confiscation issue "has been horrible," noting the difficulties in solving the problem and how she has called upon those who received confiscated property, who are also defending their right to keep them, to return them.

The Nicaraguan president said she was grateful for the Spanish cooperation Nicaragua has received both for the peace process as well as for the reconstruction process, and she thanked her "friend," Felipe Gonzalez, for the visit.

"Nicaragua needs affection and assistance," the president said, mentioning the tight schedule the Spanish prime minister has had in the country to learn about Nicaragua's reality.

Meanwhile, Gonzalez reiterated the will to maintain and try to increase Spain's cooperation with Nicaragua and Latin America in general, both on a national level as well at the European Union.

Europe's aid to Central America is proportionally larger than the aid given to any other area in the world, including the member countries of the Lome Agreement (former European colonies in Africa, the Pacific, and the Caribbean) Gonzalez said. Gonzalez said this cooperation "will continue and will be strengthened."

Gonzalez, who ended in Managua today an eight-day tour during which he also visited El Salvador and Honduras, said his contact with the three countries was useful and said he was pleased to see the "period of confrontations" in Central America has been overcome. He also spotlighted the outlook for development in the isthmus.

He also insisted on Spain's commitment in supporting this development and mentioned the visit by approximately 50 Spanish businessmen who accompanied him on his trip to promote trade between Spain and Central America.

[Paris AFP in Spanish at 2137 GMT on 18 February adds in an 18 February, 100-word, Managua-datelined item that the Spanish prime minister said during the news conference "he will not resign over the scandal caused by his former secretary of state for security, Rafael Vera, who has been imprisoned in Madrid. Shortly before leaving Nicaragua, Gonzalez said in the news conference: 'I could resign, but for other reasons.'"]

UDC Leader Defends Reforms

95CA0129A Managua EL SEMANARIO in Spanish 2-9 Feb 95 pp 14-15

[Interview with UDC Leader Azucena Ferrey by Edgard Solorzano; place and date not given; first paragraph is EL SEMANARIO introduction]

[FBIS Translated Text] Amid the daily effort expended by the deputies in the National Assembly to approve the partial reforms to the Constitution in a second round of voting, EL SEMANARIO approached Doctor Azucena Ferrey, director of the Christian Democratic Union [UDC], to learn her views on this issue, which has been virtually obviated by the Executive Branch. Ferrey remarks that the government is planning to demand that the Supreme Court of Justice issue a decision in its favor, which would be a kind of indirect coup d'etat. Nevertheless, the Congress also is planning to call the citizens to a referendum that would lend greater legitimacy to the reforms, so as to neutralize the government's erroneous positions.

[Solorzano] How do you assess the work being done by the deputies on the partial reforms to the Constitution?

[Ferrey] It is highly significant work. I am sure that we are making the maximum effort that will enable us to start reinforcing our right as citizens to use these tools for the purpose of defending rights and recognizing the borderline between right and obligation.

[Solorzano] What is your assessment of the Executive Branch's conduct with respect to this issue?

[Ferrey] I feel that there has been manipulation relating to the constitutional reforms. It has been a desperate manipulation in which a group of ministers has been involved. Rather than acting as public servants, they have become servants of a person around whom they revolve. They have even distorted the loyalty of serving the president of the republic, by serving interests that offer them opportunities for continuity in office.

It is in this context that I must interpret the statements made by Health Minister Martha Palacios against the reforms. Obviously, and I don't think that I am mistaken, this is the only government in which a married couple has cabinet rank (Palacios' husband is Minister Pablo Pereira). These things are disturbing.

[Solorzano] But what do you consider the crux of this matter?

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[Ferrey] When an effort is made to establish clear accountability in the handling of the funds accrued through the budget of the republic, this displeases the government. When the National Assembly, through the Economic Commission, tries to learn about not only national, but also international arrangements, contracts, and agreements (in which tremendous, impressive amounts of dollars are sometimes collected), and wishes to establish a check, a monitoring, and an evaluation of the use made of this money granted to the people of Nicaragua, then that annoys the Executive Branch. Therefore, I can understand why many ministers have refused to accept this role for the Assembly, because it would prove harmful to them.

[Solorzano] Is it an annoyance to the government that the National Assembly should recover a right that belongs to it?

[Ferrey] Of course. If the National Assembly were to recover the right that was taken away from it in the 1980's—for example, in the event that a minister were asked to appear and provide a report, and if he refused, he could be summoned with the same procedure used through the application of the Criminal Code—this would create unrest.

We have seen for a long time, since the Somoza era, how the ministers have always been introduced based on the individual discretionary power that they have for making tax exemptions, benefiting their circles of friends. They have been eclipsing what, in essential democracy, emerges from congresses, namely: debate and a search for consensus on the establishment of this or that exemption to be granted, adapting not only to the population level, but also to that of other institutions. This, obviously, is what we have been working hard to accomplish.

[Solorzano] Concurrently with that negative position on the government's part, have you received any other type of treatment, or threats?

[Ferrey] To some extent. And that is why we congress members have been seeking a means of counteracting the forces of evil. We are being threatened with a coup d'etat. I think that the character, and the image, of the madam president reflected internationally is one of the things that should make her think twice. I know that these are not matters for disqualification, because we have the example of Fujimori....

[Solorzano] What are your grounds for stating that there are strong possibilities of a kind of Fujimori uprising, a "Violeta uprising" to give it a name, against the National Assembly?

[Ferrey] The position, including reprimand, taken by the ministers when the Assembly, in a gesture of flexibility, gave them the opportunity to come and express their views. And later, they themselves announced that they were not coming with the authorization to respond. So that, too, ended the deputies' interest in listening carefully to the ministers. But that attitude of presumptuousness, preeminence, and absolute authority is what makes us think that they could be mistaken as often as they wish. To them, there is only one Noah's Ark, and that is the government's ark. As for others, it doesn't matter if they sink. We were even told that the Permanent Congress of Workers (CPT) was in agreement with the government's position. Nevertheless, we recently received a letter from the CPT denying that possibility. We understand that the mayors are publishing a statement now, claiming that they feel abused and used by the government, besides having been tricked by the ministers' presentation at Inifom [Nicaraguan Institute for Municipal Development]. They also informed us of a communique. All this has been adding up. But, based on that behavior of the government, it is obvious that they intend to seek the least political cost.

[Solorzano] What would that least political cost be?

[Ferrey] Pressuring the Supreme Court of Justice to announce a decision on the suspension of the action.

[Solorzano] Would it be a kind of indirect coup?

[Ferrey] Yes, this would be an indirect kind of coup....

[Solorzano] And how do the deputies intend to deal with that imminent coup?

[Ferrey] We in Congress have been seeking viable alternatives. We believe that the Nicaraguan people are entitled to promote and reinforce, through their representatives, the idea of exercising our right in a referendum. Its purpose would be to seek a positive vote for the constitutional reforms to be supported and accepted in the entire magnitude of their content.

[Solorzano] Both the government, private enterprise, and the Sandinist Front itself have claimed that the deputies are in a desperate race to approve the reforms. What would your comment on that position be?

[Ferrey] It is a position that does not conform to the truth. No one wants to attach importance to the appeal on grounds of unconstitutionality that has been submitted to the Supreme Court of Justice. Obviously, this proves again the two-faced attitude and double standard with which those wishing to participate in politics operate, without taking risks but, of course, benefiting from certain actions and concessions.

[Solorzano] Could you cite a few concrete examples?

[Ferrey] For private enterprise, if the Assembly should decide to work on the tax policy, it would be more dangerous than with the government doing so. Any private enterprise with access to the finance minister obtains discretionary authority and exemptions that the minister deems fitting. On the other hand, if brought before the National Assembly, it would be necessary to debate in a plenary session, and the private entrepreneur

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would be obliged to create a consistent lobby, to demonstrate to us the amount of profit that he expects. If one considers the economic situation, it is obviously harmed by the rising prices of products.

For that reason, we are watching consumer protection, and we also want an updating of all inventories, so that this consumer will not have to incur greater expenses when going here and there seeking a minumum of savings. Furthermore, we are trying to protect the consumer when we request that quality control be maintained. Business owners resent this, because in the past it was "to hell with everyone else!"

[Solorzano] Would that be a double standard in private enterprise?

[Ferrey] Yes. We must realize that private enterprise would be on the alert in support of the government in this respect. If we look at the tax situations of previous years, for example, we would find the Chamorro firm in Granada with tax exemptions that were incredible. But inspect Granada, and you will not find any classroom, or hospital room, or waiting room claimed to have been constructed by the Chamorros.

We must realize all this, and learn to manage with the necessary flexibility, so as to be able to withstand the fierce criticism from a sector that comes to the Assembly later and, individually, tells its friends among us who are deputies: "All right, you must understand the veto of the Labor Code, because the government has supported us and now it is handing us the bill." They come here like Pilates, washing their hands, after having publicly taken the liberty of speaking and saying what they please.

[Solorzano] Among other claims, it is said that the deputies in that desperate race are talking about only 30 days for approving the reforms, and that a more reasonable time is not being given. Is there really a required time for approving these reforms?

[Ferrey] There is a constitutional period of 60 days, but we really would and should be implementing a few reforms in a relaxed manner, without external pressures.

[Solorzano] To which pressures are you referring, specifically?

[Ferrey] The problem of haste in both the first and this second round of debate has always been due to the appeal on grounds of unconstitutionality, the dirty tricks, and the intervention by the government, attempting to trip us up through the meager number of deputies supporting it. They are within their rights, but the fact is that the scoreboard reflects the majority of votes. That, precisely, is the democratic system of respect for minorities, never the crushing of minorities; but, of course, with acceptance of the majority decision seen freely and in the presence of everyone.

[Solorzano] How do you analyze that position of the Executive Branch?

[Ferrey] I must tell you frankly: The Executive Branch has become a first-class liar. I think that the legal adviser, Tomas Delaney, is roaming in other areas, and that Cupid has confused his mind, as one government minister told me. And he has not taken the proper time to devote to a thorough study of the reforms that we have proposed.

When one becomes involved in this type of work, he must do it with full responsibility, not by improvising, as some ministers think. I feel that the government is afraid of what the president admitted recently: that she neither wants reelection nor is promoting her son-in-law's candidacy. Therefore, the disqualifications and nonreelection are not a topic of debate for her. Nevertheless, she has never fulfilled her obligation to us, by sending us her opinions on other topics, or giving suggestions to the Assembly. We know that they certainly have had them since 1993. Before the Christian Democrats became members of Congress again, to lend it stability, the government had been working on this. What they do have is the decision to make an unjust imposition, forcing us to remain under the government's sword of Damocles, to prevent the Assembly from being an independent authority, and being the real first authority of the State. The Executive Branch fears that.

[Solorzano] Your party has recently been linked to the Sandinist Renewal Movement. Is this obvious alliance in the Assembly current, or made with a view to the 1996 elections?

[Ferrey] I shall say in all sincerity that I was extremely pleased by the statements published in the news media by Dora Maria Tellez. She said that, in her opinion, the congressional group (now known as Renewal) sympathizes with the UDC. I must admit that, since the time of Somoza, the university leadership, beaten, jailed, and defamed, was that of the Christian Democratic Front of what is now the Christian Democratic Union. But it was of the Christian Democracy of all times, and the Revolutionary Student Front (FER), the student branch of the FSLN [Sandinist National Liberation Front].

We have always agreed at vital times of opposition. Those who died before the 1980's (forgotten during that period) were Christian Democrats too. We have a line of struggle in opposition, and of a logical convergence accepted by the people of Nicaragua. Now then, as to whether it is current, I believe that we have proven this in various circumstances against Somoza, and also in our struggle that obliged us to participate in the board of directors of Nicaraguan Resistance. Today, we are against what we feel is unjust for the people of Nicaragua. And I hope that as time begins elapsing, we shall start to look for what other alliances appear in the future.

This year, the Christian Democrats have decided to hold their Congress, to select their candidates for the 1996 elections. What will happen between now and 1996? Well, I don't know about that. What I do know is that we have always agreed, and have managed to set aside our

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ideological, political, and partisan positions to converge on the need for democratization in the service of the Nicaraguan people.

[Solorzano] With the partial reforms, a series of alliances has been evident: for example, private enterprise, the government, and orthodox Sandinism. How do you analyze that behavior?

[Ferrey] There are differences in these unified groups: for example, the one that has been operating in the Assembly. I indicated that there has been an alliance from 1993 until the present, which is a current alliance of force at the present time. When members of the COSEP [Higher Council of Private Enterprise] come to us saying what they were saying before, this means that it is an alliance glued with saliva, one of very particular temporary interests raised to suit the individuality of each sector.

Panama

Foreign Minister Views Issue of U.S. Military Presence

Discusses Meetings With U.S. Senators

PA1802164495 Panama City LA PRENSA in Spanish 16 Feb 95 p A-3

[Report by Betty Brannan Jaen]

[FBIS Translated Text] Washington, D.C.—During a visit to Washington, Panamanian Foreign Minister Gabriel Lewis Galindo realized that there is support in the U.S. Congress, but not in the Clinton administration, that the United States maintain a military presence in Panama after the year 2000.

"I sense growing support but not a general consent in Congress," Lewis Galindo has said in an interview with LA PRENSA, "but I must emphasize that the Panamanian people will have to approve, through a constitutional plebiscite, any agreement regarding any permanent U.S. military presence after the year 2000."

If the United States makes a proposal in this regard, "we will study it with all due gravity," Lewis Galindo added.

There is also a strong sense of gratitude in Congress toward Panama for its support on the Cuban rafters issue, Lewis Galindo said. He added that Senator Christopher Dodd, who was recently appointed chairman of the Democratic Party, said in a news communique on 14 February "the United States is grateful to President Ernesto Perez Balladares for his assistance during the crisis of the Cuban immigrants." In his communique, Dodd also praised the idea of a "City of Knowledge."

Senator Jesse Helms, head of the Foreign Relations Committee, also expressed his gratitude on the Cuban issue and gave the Panamanian foreign minister "a warm welcome," Lewis Galindo said. In addition, during a number of meetings with senators and representatives of the Republican and Democratic Parties, Lewis Galindo said that the congressmen expressed their resentment over the Perez Balladares' declaration of mourning on the occasion of the anniversary of the 20 December 1989 invasion and over the fact there was no acknowledgement that U.S. lives were also lost.

Many senators and representatives also expressed concern, which Lewis Galindo considered "justified," over the deterioration of the assets in the Canal area that have reverted to Panama. "Panama's capability to operate and administer the Panama Canal is not being questioned," Lewis Galindo has said.

According to Lewis Galindo, U.S. congressional approval of NAFTA within a few months is in progress. He has said there is a "bipartisan will" in Washington that Panama join NAFTA, although Panama will first have to change its economic structure and join GATT.

In a recent article in THE NEW YORK TIMES which stated the administration of Perez Balladares "had systematically rehabilitated" individuals from the "Noriega" regime, Lewis Galindo has said President Perez Balladares has tried to establish a government of national agreement, although it cannot be denied the PRD [Democratic Revolutionary Party] won the elections.

Notes Possible Extension of U.S. Presence

PA1902032495 Panama City EL SIGLO in Spanish 18 Feb 95 p 38

[Report by David Daniel Victoria]

[FBIS Translated Text] Panamanian Foreign Minister Gabriel Lewis Galindo yesterday disclosed that the U.S. Congress has expressed concern that, by not having military bases in the Canal Zone beyond the year 2000, the struggle against drug trafficking could be hindered.

Lewis Galindo explained that, while on a recent trip to the United States, he met with Democratic and Republican congressmen who said U.S. military bases in the Canal Zone are of utmost importance because of Panama's geographic placement.

U.S. congressmen intend to ask the Clinton administration to initiate talks with the Panamanian Government in an effort to reach an agreement to maintain certain U.S. military installations.

Lewis Galindo said: "The United States believes it is in the best interest of the continent's security to continue to wage a struggle against drugs."

He underscored that an agreement under which the United States might maintain military bases in Panama must be reached as soon as the Torrijos-Carter treaties are executed—that is, when the entire Canal Zone is turned over to Panama on 31 December 1999.

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Lewis Galindo said that, once the treaties are fulfilled, any other agreement that would permit the U.S. military to remain in Panama must be decided by the Panamanian people via a referendum.

He pointed out that a consensus has not been reached in Congress regarding the issue of maintaining military bases in Panama beyond the year 2000, and he added that the Panamanian opposition should not politicize such a serious issue by questioning his patriotism.

Lewis Galindo said he has asked the United States to continue maintaining certain facilities that are to be reverted over the next few years, until Panama's general program for the use of the reverted areas is ready.

Labor Minister: Extended U.S. Presence 'Impossible'

PA1902125995 Panama City EL SIGLO in Spanish 18 Feb 95 p 11

[Report by Cynthia Sanchez]

[FBIS Translated Text] Commenting on the possibility that Panama might negotiate with the United States to keep U.S. bases in Panama, Labor Minister Mitchell Doens said the Torrijos-Carter Treaties clearly establish that the Canal will be turned over to Panama on 31 December 1999, and at that same instant the last U.S. military presence here will have to leave.

He explained that such suggestions are impossible because when the treaties were ratified, the Panamanian people expressed their position on the military bases in a plebiscite on 23 October 1977, when they unanimously [as published] decided that the military bases had to be removed from the isthmus once the term expired. The minister added: "The only way that can be changed is through another plebiscite."

Doens stressed that the treaties should be honored. "I believe that in view of new global circumstances in terms of war tensions and geopolitical struggles, the need for bases has decreased. They are disappearing not only overseas but even in the United States." Therefore, he assured that the bases are much more profitable to Panama if they are economically exploited instead of serving as bases.

Likewise, Legislative Assembly President Balbina Herrera stressed that first there must be compliance with the Torrijos-Carter Treaties, and if the new government wants modifications after 1999, they are welcome so long as they come under better conditions.

Herrera insisted that it is not correct to speak of renegotiations now, with the completion of the Torrijos-Carter Treaties just five years away. "Such negotiations are inappropriate. Before anything else, we must comply with the treaties up to 31 December 1999. I repeat: If the incoming Panamanian Government decides to make changes, it will have to do so under different conditions."

Legislator Gives Opinion on U.S. Bases Remaining

PA2002001695 Panama City EL SIGLO in Spanish 18 Feb 95 p 8

[Report by Diamar Aparicio B.]

[FBIS Translated Text] If the U.S. Government requests to remain in the Canal areas, all the state branches will analyze the request, and the Panamanian people will have the final say on whether it stays, PRD [Democratic Revolutionary Party] legislator Manuel de la Hoz has said.

De la Hoz has said the United States should make that proposal within the climate of friendship and respect necessary for a dialogue between both countries.

De la Hoz has said, however, he, as a Torrijist, does not favor any military base remaining on Panamanian soil beyond the year 2000.

"We must be realistic, however, and if the U.S. Government presents a request in compliance with the formalities that must characterize the relations between two friendly countries that have been partners historically, we would have to consider the request," de la Hoz has said.

He has warned, however, the Panamanian people will have the last word in a national referendum on determining whether U.S. bases will remain in Panama beyond the date stipulated by the Torrijos-Carter Treaties.

Commenting on the proposal by former presidential candidate Ruben Blades' to suspend debates on reforms to the law on the Interoceanic Region Authority (ARI), de la Hoz has said "Blades is not well informed. His artistic work does not allow him much time to really know what is happening in the country. No one can really give an opinion based on what we see in one or two days in Panama."

He has given his opinion, which is "honest" but not consonant with what the country needs at this time to develop its own personality to keep up with the changes occurring in the world.

The reforms to the ARI Law are being discussed in second debates during special congressional sessions. The final document will be signed by Assembly President Balbina Herrera, and talks will be held afterward with the government institutions affected by the law.

Panama Asks One-Year Delay in Amador Reversion

PA2002012695 Panama City EL PANAMA AMERICA in Spanish 19 Feb 95 p A-1

[Report by Juan Manuel Diaz C.]

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[FBIS Translated Text] Foreign Minister Gabriel Lewis Galindo confirmed yesterday that Panama has asked the United States to delay the reversion of Fort Amador by one year, because we "are not yet ready" to give it the planned use.

The minister said reverted areas could turn out to be a burden, because previous administrations failed to plan the use of these properties before their reversion.

Lewis Galindo said the U.S. Administration is justifiably concerned over the fact that reverted properties have not been efficiently cared for.

According to the official, this reason is why he has asked U.S. authorities to delay the transfer of Fort Amador, where there are plans to install a tourism complex.

He said "it would be irresponsible (to receive Amador) if we do not have a use for it yet, or if we fail to take care of it, or if the cost of operation runs too high." The minister added we will use this property correctly once we are prepared to start activities in that field.

Lewis Galindo maintained the government is determined to carefully plan how to use buildings and facilities that will revert between 1997 and 1998.

Minister Agrees With Sale, Leasing of Reverted Areas

PA1802195195 Panama City Circuito RPC Television in Spanish 1730 GMT 18 Feb 95

[Report by Alvaro Alvaro; from the "Day to Day" Newscast]

[FBIS Translated Text] Finance and Treasury Minister Olmedo Miranda agrees with the sale or leasing of reverted areas, depending on the intended use. A bill to reform the Law on the Interoceanic Region Authority [ARI] was approved in a second debate on 16 February. It contains 35 articles, and among the most polemic is one calling for the sale instead of the leasing of reverted areas:

[Begin Miranda recording] I believe both things can be done. They can be sold in the case of tenants who have occupied the various reverted homes for years and who would like to own them. Perhaps in strategic areas, such as ports.... [pauses] for example, the Amador area for hotels. We could talk about leasing. [end recording]

The finance minister has pointed out the need to differentiate between the Canal Authority, the organization that will manage the areas needed to operate the interoceanic waterway, and the ARI, which will look after the good use of the reverted areas:

[Begin Miranda recording] Either of the two solutions would be welcome, the sale or the leasing. We want the most wise and beneficial one for the country, but we need action. The problem is we have waited and are still waiting, and the areas have deteriorated; they are not receiving an adequate use. Their deterioration is costing money, and we are failing to collect revenues; that is, we are not giving them the use they should be given. Like a home, it will deteriorate if not used. [end recording]

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Argentina

Foreign Minister Di Tella on Peru-Ecuador Conflict Impact

PY1602171195 Madrid EFE in Spanish 2257 GMT 15 Feb 95

[FBIS Translated Text] Argentine Foreign Minister Guido Di Tella today emphasized that, if a solution to the military conflict between Peru and Ecuador is not achieved, it might affect Latin America more than the recent Mexican financial crisis did.

Di Tella told the Argentine Chamber of Deputies: "If the conflict drags on, the consequences might be more serious than those prompted by the Mexican economic crisis."

Di Tella also made it clear that the possibility of the conflict spreading beyond the border zone "is a catastrophic risk." Nevertheless, he noted: "This is not an imminent possibility."

Di Tella described as "a Latin American scandal" the undeclared war between the two countries that broke out on 26 January. He complained about the indifference demonstrated by the international community over the prolongation of the hostilities.

In a report to the Argentine Congress, Di Tella said the negotiations among the governments of the four guarantor countries of the Rio de Janeiro Protocol—Chile, Brazil, Argentina and the United States—are being held up by Peru's and Ecuador's poor reception of the decisions made by the guarantor countries as "each one of them believes the other side is being favored."

The Argentine minister added that each of the guarantor countries would send 10 observers to the conflict zone between the two South American countries in the Condor Mountain Range.

The Argentine foreign minister deplored Peru's decision not to accept any negotiation by international organizations other than that being conducted by the guarantor countries.

Di Tella emphasized: "If the negotiations fail, there will be no alternative but to resort to the OAS and, subsequently, to the UN Security Council."

Editorial: Peruvian-Ecuadoran Conflict Harms Region

PY2002235195 Buenos Aires CLARIN in Spanish 16 Feb 95 p 14

[Editorial: "A Fragile Peace in the Amazon Forest]

[FBIS Translated Text] The conflict between Ecuador and Peru has entered a new stage—a bit confusing for the time being—but which may evolve toward peaceful negotiations if the parties involved take up the challenge with resolution and responsibility.

Following 19 days of hostilities in the Amazon forest, Peru unilaterally ordered a cease-fire as it considered it had gained a victory over its rival.

Ecuador responded positively although it pointed out that it was Ecuador that had proposed a cease-fire and that Peru had at that time rejected it. Moreover, like its rival, Ecuador deems that it has won the war.

To substantiate their mutual claims, both countries contend that they have reconquered part of their territory that was under the enemy's control and to prove it, they have invited representatives from the press to the places in question.

The controversy over the peace initiative and over the control of the area in conflict are new episodes in the series of confusing and contradictory events characterizing this conflict since its onset—both parties claim sovereignty over a vast tract of Amazon territory, both accuse each other of being the aggressor nation. Still, it has not yet been possible to know for certain who and how hostilities broke out or who has at present effective control of some of the points in dispute.

Hostilities had no sooner erupted than the guarantors of the Rio de Janeiro Protocol, which established the boundaries between both nations back in 1942, met in Brasilia. For weeks they were unable to make the feuding parties jointly accept their mediation. What is more, according to some reports, an agreement was allegedly reached about the demilitarization of the area, the future of which remains as obscure as the overall situation.

The two rivals have so far argued that they are respecting the cease-fire and Peru has allegedly started withdrawing its troops, but given the characteristics of the terrain, it is most difficult to verify up to what extent they are observing the cease-fire.

Against this backdrop there have been, however, some encouraging changes. Given that the warring nations have requested the sending of observers to the area in conflict and that they would accept negotiating within the framework of the Rio de Janeiro Protocol, it is then possible that constructive negotiations will ensue.

Let us hope, then, that the cease-fire will stand and that the guarantor countries have the opportunity to contribute not only to the reestablishment of a fleeting peace but also to the beginning of negotiations for a definite solution to this longstanding border dispute.

In order to do that, combatants must first show they have a firm will to put an end to the escalation of hostilities, desist from using a bloody and costly armed conflict for domestic political purposes, and try to seek a peaceful settlement of their territorial differences. This is the only valid alternative to prevent further loss of life and to establish suitable conditions for productive work and social stability in the feuding nations.

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The rest of the Latin American nations are also greatly interested in a settlement of this conflict because, as Latin America is perceived as an indivisible or undifferentiated whole from abroad, the war in the Amazon forest damages the image of the region and undermines the trust other countries have in South America.

Cavallo, Brazilian Economy Minister Meet, Discuss Goals

PY2002181195 Buenos Aires TELAM in Spanish 2149 GMT 18 Feb 95

[FBIS Translated Text] Foz do Iguacu, Brazil, 18 Feb (TELAM)—The Argentine and Brazilian economy ministers, Domingo Cavallo and Pedro Malan, respectively, analyzed the Mexican financial crisis during the "Iguazu Summit."

"The effects of the Mexican crisis are part of a process of market globalization and immediate communication," the ministers stressed.

The ministers emphasized the importance of rising interest rates in the Mexican crisis.

The Brazilian minister said: "This makes government efforts to strengthen reforms, make fiscal adjustments, encourage domestic saving, modernize the state, privatize the economy, and increase productivity even more necessary."

The "economy" commission's coordinator was Minister Malan, who stressed that price stability is a necessary condition for growth and the creation of jobs.

According to the official, Argentina and Brazil's economic performance in the past few months have something in common: the exceptional agricultural harvest that is being anticipated in both countries.

Both economy ministers spent a long time analyzing Brazil's future constitutional reform at today's meeting.

According to Brazilian presidential spokesman Sergio Amaral, the ministers also stressed "Mercosur's [Common Market of the South] enormous potential as a result of the progress in the last few years, despite Brazil's economic instability."

The stabilization process in the neighboring country, which has just started its seventh month, "is a decisive contribution to Mercosur's economic development," Malan said.

Minister Cavallo complemented his Brazilian counterpart's remarks, saying that "this meeting is only one more element in the continuous exchange that both economy ministers are almost constantly having."

Cavallo added that "the convergence of both tax systems must be one of our common action goals in order to facilitate and broaden the integration process."

Cavallo finally stressed the importance of fiscal incentives on exports as one of the ways to increase the sale of Mercosur products to other countries.

Praises National Economic Model

PY2102231495 Buenos Aires TELAM in Spanish 2014 GMT 21 Feb 95

[FBIS Translated Text] Buenos Aires, 21 Feb (TELAM)—On 21 February, Economy Minister Domingo Cavallo said that Argentina has recorded growth and has had low inflation because it applied its own economic program. He added that Argentina would not have attained the same results if it had followed the IMF's recommendations.

During a luncheon at the Argentine Institute for Finance Executives (IAEF), Cavallo said: "Had we accepted the IMF's recipes in 1991, 1992, and 1993, we would not have achieved the success we had as far as growth and the struggle against inflation are concerned."

Addressing some 200 executives from the country's leading companies, the minister announced a new crackdown on tax evasion, and totally ruled out the possibility of implementing new taxes, although he left the door open concerning an increase in tax rates.

He further announced that there will be a greater control in government spending this year, adding that the federal government will launch an offensive against provinces so that they embark upon the same path and privatize banks and companies.

During his speech that lasted some two hours, Cavallo said that the parity between the dollar and the peso will be maintained "until doomsday" and that the financial system "is robust, has no major problems, and will weather the crisis triggered by the devaluation of the Mexican peso."

Cavallo sprang quite a surprise on his audience with his criticism of the IMF's "recipes."

"We have not shunned the IMF; we have accepted its monitoring, but that does not mean that we are going to accept its recipes as a matter of course," he said, adding that if he had done so Argentina would not have grown and curbed inflation as it did with his plan.

Cavallo continued to hold the finance executives' attention when he contended that "the moment of truth" had come for the provinces, and that "this year they will not be able to get away with ignoring the fiscal discipline that the Convertibility Plan" demands.

Moreover, the minister underscored the "robustness" of banks to cope with the financial crisis sparked by Mexico, stating that the banking system "is healthy" and that "no more banks will go bankrupt, although one cannot be 100 percent sure about that."

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Cavallo asserted that Argentina "has not experienced any decline in its reserves since the onset of the Mexican crisis" and that "in the worst of cases, they dropped by less than 1 billion [currency not specified]."

He forcibly said that "we are going to overcome this bad mood, and little by little credit for and in Argentina will go back to normal."

Discusses Atucha II Privatization

95SM0174A Buenos Aires CLARIN in Spanish 28 Jan 95 pp 6-7

[Article by Ana Ale]

[FBIS Translated Text] Like a good salesman, Domingo Cavallo offered—in Davos—to privatize Atucha II to suit the purchaser's preferences. Argentina's third nuclear power plant is under construction. It is estimated that its completion will cost 1 billion pesos, and it is part of the last group of assets that will be turned over to private capital.

Interested in promoting this proposal, the minister confirmed from Switzerland that Atucha II may be transformed into a plant powered by natural gas, an option that may be selected by its purchaser. This would be more than a change in type. The change from a nuclear to a conventional thermal plant would offer two advantages.

One is cost and the other is power. Cavallo himself said that it is not known how much it will cost to complete the plant, although the number talked about for some time is 1 billion pesos. With the gas option, the completion costs would drop to approximately 200 million pesos if the plant is kept at its projected power of 700 megawatts.

But Cavallo added another sweetener to this proposal: by changing it to natural gas, its generating capacity could be tripled. If it is raised to the 2,000 megawatts that Cavallo suggested, Atucha would be close behind Yacyreta, which has 2,700 megawatts, and it would exceed the capacity of Costanera, the largest thermal power complex capable of providing power for the Federal Capital and Greater Buenos Aires.

The crowning glory of Cavallo's offer is time. With the gas option, Atucha II can be completed in a year and a half; with nuclear power, completion would take three years, say the electricity specialists consulted by CLARIN.

Speaking to the specialists assembled in Davos, the minister of the economy added the street vendor's traditional "and if that is not enough." He said that with Atucha II converted to gas it could even provide electricity to Brazil. At this part of his sales pitch the specialists began to frown.

For Argentina to be able to export power it needs to build an energy transmission grid. But the payback time for these interconnection projects would be very long, considering electricity's cost in Argentina: the highest in the Mercosur [Common Market of the South].

Put this way, the deal appears to have a buyer on hand. Businessmen say that the idea of converting Atucha II to gas originated in Perez Company's offices. It would be a great achievement for them. They could use their gas reserves—they are ranked the second largest—and the gas pipelines they operate as licensees of Transportadora de Gas del Sur [Southern Gas Transporter]. By June, when the privatization gets under way, they will know if they have the deal.

Argentine Official on Summit Between Cardoso, Menem

PY2202013595 Buenos Aires CLARIN in Spanish 20 Feb 95 p 20

[Interview with Vice Economy Minister Carlos Sanchez by CLARIN "special correspondent" Daniel Santoro in Foz do Iguacu on 18 February—first two paragraphs are introduction]

[FBIS Translated Text] Vice Economy Minister Carlos Sanchez told CLARIN that the Brazilian and Argentine Governments have agreed to establish a "common energy market" to step up trade in electricity, oil, and gas between the two countries.

Following the presidential summit between Carlos Menem and Fernando Henrique Cardoso, Sanchez, who acted as coordinator for the economic area, said that the two partners also concurred in improving the physical infrastructure to facilitate transportation. According to Sanchez, the two countries together are "a kind of locomotive" in the spheres of economics and politics.

[Santoro] What is your assessment of this summit?

[Sanchez] It was a working meeting on all bilateral questions to systematically make headway in the consolidation of the integration process between the two countries as the hub of Mercosur [Common Market of the South] and to reestablish the region's reliability.

[Santoro] How is reliability going to be improved?

[Sanchez] Two economies whose size has now become similar to that of France, whose growth rate is 7 percent, and which coordinate their foreign and domestic policies make Argentina and Brazil an area that is not easily matched elsewhere. They constitute a driving force not only due to their domestic economic growth, but also because of their political ability in international affairs.

[Santoro] Could you elaborate on the common energy market that President Cardoso proposed in view of Brazil's energy needs in the future?

[Sanchez] We made great strides in that regard, so much so that an act was signed. There is broad consensus on the energy integration. Now we have to harmonize

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regulations and market conditions. It is not only a matter of selling energy, but also of how it is going to be sold.

[Santoro] There were also some problems. As Transport Secretary Edmundo Soria's counterpart did not attend the summit meeting, the project to deregulate air transport was not discussed...

[Sanchez] We established a contact to negotiate this subject as a central question in our bilateral relations.

[Santoro] What will be done in order to improve the physical infrastructure?

[Sanchez] There were several agreements, like the one on the bridge linking Santo Tome [Corrientes Province] and Sao Borja [Rio Grande do Sul State]. Despite the fact that the tender for the construction of this bridge failed twice, now with realistic attitudes on the part of both countries it will be put out to tender and built in no time. There are also other projects under study. The governors of neighboring provinces will meet next month.

[Santoro] The Argentine and Brazilian Governments lack the financial resources to fund major public works. How are they going to obtain the necessary funds?

[Sanchez] The first goal is price stability, and then economic growth, which generates resources for financing and at the same time enables savings to be attracted.

[Santoro] Is it true that Argentina lodged a protest against Brazil for not honoring the agreement on wheat?

[Sanchez] Argentina raised a general subject having to do with the spirit of Mercosur, which provides for the application of sanctions for unfair competition by third countries.

Finance Secretary on Budget, Deficit, Taxes

PY2102215595 Buenos Aires CLARIN in Spanish 19 Feb 95 p 4

[Interview with Finance Secretary Ricardo Gutierrez by unidentified reporter; place and date not given]

[FBIS Translated Text] [CLARIN] Can the 1995 budget be implemented without changes?

[Gutierrez] We will implement it as it was reprogrammed, that is, reducing spending by 1 billion pesos.

[CLARIN] Why do some analysts doubt that the government will be able to fulfill its promise of a balanced budget? These analysts even speak about a possible deficit of $2 billion or $3 billion.

[Gutierrez] I heard and read about those comments or criticisms. Some people said that the budget would have a deficit of 7 billion pesos, then it was 5 billion pesos, then 3 billion pesos, and now 2 billion pesos. Those forecasts are getting increasingly closer to the official forecast. Those who herald those deficits based their presumptions on lower revenue levels based on an alleged drop in economic activities. We at the Economy Ministry trust that the 1992, 1993, and 1994 growth levels will be maintained.

[CLARIN] But revenues dropped in January, and February figures are below estimates...

[Gutierrez] Revenues during January, it is true, were lower, by the small margin of 0.9 percent, than the figures estimated in the new budget that was restructured in December 1994.

[CLARIN] It was also 6.1 percent less than January 1994.

[Gutierrez] Last year revenues included contributions that were later transferred to the AFJP [Pension and Retirement Fund Managing Companies].

[CLARIN] But it was said that the transfer of those contributions to the AFJP would be compensated for by higher collections made by a greater number of taxpayers.

[Gutierrez] We accomplished that to a large extent, and we admit that revenues are lower compared to the estimates prepared when the budget was first presented. But the budget in effect as of 1 January 1995 has been restructured, and our objectives will be fulfilled.

[CLARIN] How are February collections doing?

[Gutierrez] In order to fulfill our goal we need to collect 3.382 billion [currency not specified], a sum that includes AFJP contributions. Collection levels are so far acceptable, and I think we will reach our goal. If this is not the case, in the following months we will take measures to recover what we are losing now.

[CLARIN] Will there be an increase in the VAT [value added tax] rate, or will there be new taxes to cover the deficit?

[Gutierrez] That question is frequently made. What are we going to do to solve the fiscal deficit problem, if there is a problem? First, we will insist on reducing spending by placing more emphasis on reforming the state, for instance, through a new ministries' law, which would allow a rational organization of the public administration starting from zero. Second, we will fight tax evasion, which is still very high, particularly in the area of social security contributions. Third, we always have the possibility of increasing taxes, although we have not even started analyzing this possibility because our policies point in exactly the opposite direction, that is, to reducing taxes on production costs.

[CLARIN] What about the announced taxes on titles and financial assets?

[Gutierrez] It is part of an existing tax on personal assets, a tax that is not producing all it must and must be reviewed. This tax would drop from 1 percent to 0.5

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percent for personal assets, and would be levied on some financial assets that are currently not paying any taxes.

[CLARIN] How does the increase in interest rates affect the 1995 budget?

[Gutierrez] Only half or our public debt has floating interest rates. We are talking about exactly $36.747 billion at the end of December 1994. This portion of the debt is affected by interest rate increases. But the Central Bank will place 14 billion pesos in securities at a floating interest rate abroad. This means that nearly $22.7 billion will still be exposed, representing an impact of nearly $227 million for every point interest rates climb.

[CLARIN] According to your data, the public debt has grown considerably, because while in March 1994 it was said that it amounted to 66 billion, at the end of that year it totalled 74.6 billion [no currency specified].

[Gutierrez] That is an important question. Argentina's net public debt did not increase by a single cent in 1994. Last year's budget shows, on a cash basis, a surplus if the proceeds from privatizations are included in revenues.

[CLARIN] Why did it increase, then?

[Gutierrez] Basically because of what is called the funding of the debt and convertible debt instruments prior to April 1991. These current liabilities fell due at this date, but thanks to Act 24382 it was possible to fund them, i.e. to convert them into long-term obligations—10 years in the case of social security, and 16 years for suppliers and contractors. The increase is also due to legal sentences on lawsuits prior to April 1991. The accounting disorder prevalent in the public sector prevented us from knowing the volume and characteristics of this debt. That is why it was never explained with accuracy. Likewise, no precautions or provisions were ever made on account of pending lawsuits. Fortunately, following major efforts and fiscal organization, we are at present about to conclude this debt funding process. This is why the funded debt increased by $5.011 billion in 1994.

The accounting chaos reigning until 1992 was the reason for our discovering old debts amounting to 2.884 billion pesos, which had not been registered and which were incorporated into the statistics corresponding to the 1994 fiscal year. There is also a $611 million debt contracted and serviced by the provinces. Lastly, interest on the funded debt totaling $1.256 billion were capitalized. As you can see, the increase in public debt is not due to flows in 1994.

[CLARIN] Why does the government issue treasury bills?

[Gutierrez] The government has to pay 5.2 billion pesos in 1995. To settle these payments it must resort to borrowing and, in order to do that, it must decide which is the best indebtedness strategy for it—whether in pesos, dollars, in the domestic or foreign market, short or long term, etc. As a result of this analysis, it was agreed that the best thing was indebtedness in treasury bills, because they are short term securities and the type of currency and interest rate are decided at each auction.

[CLARIN] What is your opinion of the interest rate fetched at the first auction? Is it reasonable, or is it a signal of the increase in the cost of indebtedness in Argentina?

[Gutierrez] The interest rate closed at 10.4 percent, which is acceptable given the present conditions in the capital market, and marks a reasonable increase compared with similar previous placements.

Bolivia

Suspension of U.S. Wheat Donation To Not Affect Supply

PY1802013695 La Paz Television Nacional Network in Spanish 1700 GMT 16 Feb 95

[FBIS Translated Excerpt] According to wheat producers, the suspension of the wheat donation by the U.S. Government will not affect national supplies or prices.

The government said that the U.S. Government will continue cooperating with other five-year agricultural programs.

[Begin recording] [Unidentified reporter] The wheat donations the U.S. Government has been granting Bolivia for over 10 years represented until last year almost 25 percent of national wheat consumption, that is, 100,000 metric tons of the 400,000 tonnes consumed in Bolivia. National production covers another 25 percent, and the remaining 50 percent is imported wheat. Mill owners said that the suspension of the U.S. donation will not create a wheat shortage because there are reserves until September of this year, and the 25 percent donation can easily be replaced by more imported wheat. [passage omitted]

The areas that will be hurt by the suspension are those related to health and education, because the government sold the donated wheat and the funds were given to health and education through the Social Investment Fund. [passage omitted]

Minister Says More Foreign Capital Needed for Chapare

PY2002164395 La Paz PRESENCIA in Spanish 25 Jan 95 p 6

[Article by Delfin Arias]

[FBIS Translated Excerpt] Chimore—Government Minister Carlos Sanchez Berzain revealed yesterday that the government is negotiating for more foreign capital for developing the Chapare with the purpose of "giving new impulse" to the drug enforcement policy with the voluntary eradication of coca.

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He said, however, that the preliminary results of the negotiations cannot yet be made public, as there are still points in the official proposal that have not been discussed.

Sanchez Berzain said: "We are in the process of getting more capital for the Chapare... I am doing on the one hand with the international community, and on the other with the peasants of Chapare..."

In this regard Sanchez Berzain called on coca growers to give the first "sign" to the countries providing the resources for alternative development in that region. He reiterated his request that coca growers voluntarily eradicate at least "one cato" (a little over one half hectares) of coca.

He also expressed confidence the international community will understand that the will to fight drug trafficking is not only a commitment of government officials, but also of coca growers.

Sanchez Berzain said: "The signal given by the government to the five coca growers federations was a proposal for alliance and union. It is now necessary to discuss the issue of coca eradication, because coca instead of decreasing has increased, and this situation is admitted even by the coca growers themselves."

He said there is no permanent international aid if the results do not show a will to fight drug trafficking effectively through the eradication of surplus coca. [passage omitted]

Labor Minister on Job Creation Strategies

95SM0179A La Paz HOY in Spanish 23 Jan 95 p 11

[Interview with Labor Minister Reynaldo Peters by unidentfied HOY reporter; date and place not given]

[FBIS Translated Text] Labor Minister Reynaldo Peters stated that job creation necessitates setting in motion a number of legal, economic, and political instruments.

1. [HOY] What role will your sector play in the creation of more jobs?

[Peters] The Labor Ministry's contribution to the employment effort began to be formulated in August 1993 and was consolidated with the Ministerial Law of September of the same year.

The solution to unemployment in Bolivia depends on bringing into play certain legal, economic, political, and social instruments that are well suited to our reality.

To assist in the process of job creation, the Labor Ministry has already outlined a nine-point strategy, which comprises:

1) The large investment of capital that the public enterprises will receive; 2) the jobs, mainly in agriculture, that come with the Popular Participation program; 3) the government's social spending on housing and public works, made through the instrumentality of the development funds; 4) conventional investment by both the domestic and the private sectors; 5) capital investment in the cooperative sector; 6) investment in the organization and development of self-managed, associative, and family production units; 7) training and retraining of the labor force, as an open-ended method of job creation; 8) studies and research in coordination with the Popular Participation program, with a view to promoting the development of populations living on or near the nation's borders; and 9) a proposal for implementing regional employment strategies.

2. [HOY] What are Bolivia's principal difficulties in creating greater sources of jobs?

[Peters] One of the principal factors that make job creation difficult in Bolivia is the fact that the state is unable to continue its generous effort to create jobs, because of the chronic budget deficit and the reform of the state enterprises that a new economic policy has made necessary.

Another factor that should be mentioned is the drop in the world prices for Bolivia's principal export minerals. Moreover, domestic savings are insufficient to generate sources of employment, and investors have only recently begun to have confidence in our country, because of the emergence of democratic stability and institutional development.

3. [HOY] In which categories of economic activity could more jobs be created?

[Peters] The program of economic reactivation is scheduled to be intensified in 1995. This will require stimulation of all the nation's economic activities.

Some sectors, however, stand out because of the magnitude of the private as well as public investment involved. For example, public investment will stimulate activity in the construction, communications, and extractive sectors, while private investment will reactivate the industrial, service, and financial sectors.

4. [HOY] To what extent can two traditionally opposing sectors work together toward the same objective?

[Peters] Among the essential aspects that stand out in today's labor relations, the question of the availability of jobs has taken on primary importance because it is the most difficult problem to deal with and to solve.

5. [HOY] What are the essential items on today's worker-employer agenda?

[Peters] The principal actors in the traditional adversarial relationship that prevails today in the labor market must of necessity find areas of agreement that will produce the equilibrium necessary in order to attain levels of synchronization of their general and fundamental interests in the pursuit of the common objective of development, jobs, and stability.

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This traditional adversarial relationship is often based on ideological concepts that tend to decrease in intensity as the historical strategic concepts—although valid in the eyes of the participants—give way to an objective reality that requires present-day solutions.

6. [HOY] The danger of bankruptcy that companies face is a high-risk factor for employment. Last year alone, 40 companies in the construction sector declared bankruptcy. Inasmuch as this sector absorbs a high percentage of the country's labor force, what is the projection for 1995?

[Peters] The new model for development that is being implemented in our country is intended to fashion a more modern economic structure in which companies that have a high degree of competitiveness will predominate in all sectors.

As in every economy where competition prevails, companies are subject to risks such as bankruptcy or a temporary withdrawal from the market.

Under the investment programs for 1995, construction will experience a major revival. Construction will undoubtedly be the engine for job creation, because of the size of the investment that has been projected and the multiplier effects that will ensue.

7. [HOY] What should be the role of the state in reaching the goal of 100,000 new jobs during 1995?

[Peters] The basic role of the state is to guarantee economic stability in order to achieve adequate levels of growth in the various sectors of the economy, proceeding from the premise that regions already fully involved in expansion should be motivated not only to maintain their levels of social growth but to increase their capacity to absorb labor.

In each depressed region where unemployment is an extremely difficult problem, the strategies for social development should include an in-depth analysis of new alternatives and solutions capable of neutralizing those negative factors that hinder the conversion of these areas into economically emergent regions.

With the aim of organizing this package of solutions, the government will administer the operative strategies for 1955 through the instrumentality of the National Employment Commission, which could eventually be converted into a tripartite mechanism for solving problems that have heretofore appeared difficult to solve.

8. [HOY] What is your assessment of the change in the government's job creation strategy ?

[Peters] The National Government has not changed its employment strategy. We are aware that although the Popular Participation program and capitalization are the principal factors in the process of job creation, the patriotic effort contributed by all sectors that participate in this process (involving workers, entrepreneurs, and the government) is indispensable to a solution of the problem.

COB's Membership, Contributions Declining

95SM0179B La Paz HOY in Spanish 23 Jan 95 p 21

[FBIS Translated Text] *The COB [Bolivian Labor Federation] comprises 65 affiliated organizations, very few of which follow the instructions of their national leadership. With a declining membership—calculated in real terms—despite the fact that it has more than 2 million members, the labor federation has also been adversely affected by the drop in contributions, which according to the federation's leaders now total fewer than 100,000.*

The real organizational and mobilizational ability of the once powerful Bolivian Labor Federation (COB) will be put to the test shortly when conflict breaks out between the the federation and the government over the workers' List of Demands.

Although the federation has a rank and file of more than 2 million members, a majority of whom are peasants, the COB's leaders acknowledge that its strength at the present time is to be found in the coca-growing sector and the teaching profession, which together account for no more than 204,000 members.

To this figure, however, must be added the approximately 1,500 workers in the state mines and the 135,000 members of the university community (127,000 students, 5,000 instructors, and 3,500 administrative personnel) [figures as published], who enthusiastically approve of the strikes that the COB calls but do not themselves participate massively in the demonstrations and other protest actions that the federation sponsors.

COB Organizational Secretary Vladimir Terceros announced that the federation currently has approximately 2 million members—consisting of peasants and workers—grouped in a total of 65 labor union organizations.

COB Executive Secretary Oscar Salas declared that the federation is the most important force in the nation, because it groups together workers from all unionized sectors.

"The real strength of the COB," he said, "are its rank and file, which are to be found in all strata of Bolivian society."

The Peasant Majority

Salas explained that the peasants are the most numerous sector in the COB—with which they are affiliated through the General Trade Union Confederation of Peasant Workers of Bolivia (CSUTCB)—but added that it is difficult to state their numbers precisely.

He insisted, however, that in the other sectors it is easier to know the exact number of workers who are affiliated with the federation.

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"We are also strengthened by our coca-growing comrades," he said, "who number between 80,000 and 90,000 in the tropical zones of the Chapare River basin near Cochabamba and in the Yungas [hot valleys] near La Paz."

Another category, he said, that accounts for a large number of workers is the sector of the urban and rural schoolteachers, who together total approximately 114,000.

Informal Merchants

"But this is not all," Salas said. "There are also the more than 200,000 self-employed workers who are engaged in various activities such as the crafts and the informal sector of the economy."

He emphasized, moreover, that the COB also includes the approximately 150,000 former workers—pensioners and annuitants—who want to prevent implementation of the government's plan that calls for the individual capitalization of short and long term insurance policies.

A Decimated Vanguard

Despite these numerical appraisals, however, the federation has been unable to organize either large mobilizations or strikes that would enjoy total compliance such as was the case before 1985, the year in which Decree No. 21060 established the open shop, which weakened the unions and broke the back of Bolivian labor unionism—the mine workers—by means of massive dismissals that were euphemistically called "relocation."

These "relocated" workers joined the ranks of the Chapare coca growers, who last year demonstrated that they have the combativeness so highly esteemed by many unionists.

Railroad workers, health care workers, aircraft pilots, cooperative members, and other sectors, however, have discovered the formula for bypassing instructions from their national organization, which has wound up with a rank and file (computed in real terms) consisting of schoolteachers; coca growers; miners; and university students, instructors, and administrators.

They Do Not Even Attend the Plenary Assemblies

Whereas on the one hand some of the COB's organizations do not heed the call to participate in the mobilizations and strikes, there are also a substantial number that do not take part in the plenary assemblies where important decisions are taken.

Vladimir Terceros said that according to the federation's bylaws, the prescribed quorum for a National Plenary Assembly is 38 of the COB's 65 organizations. He explained that although at the beginning of these assemblies this number is above the minimum necessary, the media have reported on several occasions that assemblies have been terminated because the leaders who represent these organizations fail to attend.

Terceros explained that it is impossible to assemble all of the organizations affiliated with the federation, because some of them do not have sufficient financial resources to travel to La Paz—the site of the plenary assemblies—and instead submit their opinions in written form.

Few Contributions

For his part, COB Financial Secretary Carlos Camargo said that even though the COB has a large membership at the national level, only a few members support their national organization financially, either because some sectors are unable to do so or because there are no mechanisms for transmitting their contributions.

"One of the largest sectors is that of the peasants, who do not make contributions," he said, "and that is understandable, because there are no instrumentalities for transmitting their contributions." He explained that inasmuch as these members do not work for wages, no automatic deductions from a paycheck are possible.

He disclosed that there are other sectors in which the workers' financial situation prevents them from contributing.

"The most important contributions," Camargo said, "come in the form of ideas and the struggle in defense of the interests of each and every one of our comrades, regardless of the sector to which a member belongs."

He insisted, however, that approximately 100,000 workers—most of whom are in the teaching profession—do contribute financially.

"I do not know how much money they contribute to the COB," Camargo declared, "but it is a small amount." He explained that these contributions are intended for the operation of the various union activities that must be organized, and also for the constant telephone contacts that are made with the departmental federations.

Capitalization Plans for 1995 Outlined

95SM0180A La Paz HOY in Spanish 15 Jan 95 p 11

[Article: "A Glance at Capitalization"; first paragraph is HOY introduction]

[FBIS Translated Text] Using more aggressive strategies, the government will attempt to deal with the worldwide crisis in mining, aviation, and railroads, which could make the privatization of these sectors difficult and even cause it to be postponed.

Last year the legal framework required for each state enterprise that will be privatized was created.

It is expected that progress in each sector, in terms of drafting legislation, will lead to the real conclusion of the privatization process in 1995, high-level Privatization Ministry officials have promised.

In recent days the privatization timeline has been under attack by a number of sectors because of government

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officials who contradicted each other about the date when privatization will really be concluded.

Experts explained that Ende [National Electricity Enterprise], Entel [National Telecommunications Enterprise], and YPFB [Bolivian Government Oil Deposits] have become the Bolivian enterprises most attractive to potential foreign investors, and the privatization of this trio is certain.

They announced, though, that the worldwide crisis in mining, aviation, and railroads could postpone privatization for three of the six largest public enterprises: Lab [Lloyd Bolivian Airlines], Enfe [National Railway Enterprise], and the Vinto Metallurgical Company.

Electricity

Ende will be the first enterprise privatized. The government expects to receive technical bids at the end of January, economic proposals toward the end of February, and to transfer the electricity companies to private ownership by March of this year. Its strategy calls for separating generation, transmission, and distribution in order to promote competition and prevent the appearance of monopolies.

The size of Bolivia's electricity sector is barely 750 megawatts, small in relation to neighboring countries. Passage of the Electricity Law at the end of December sets clearer standards for the 31 investors bidding for Ende, said sector spokespersons.

Telecommunications

The new regulatory framework will ensure a communications expansion. The Office of the Superintendent of Telecommunications will regulate all aspects: it will supervise new rates and interconnection structures, and issue and supervise concessions, licenses, and access.

Entel has generated profits in recent years and it is believed to have great sales potential.

Bolivia's telephone density is only four lines per 100 inhabitants. With privatization, the government is trying to correct this "problem" by doubling urban and rural telephone density over the next five years, with a legal framework favoring the growth of this sector in a climate of free competition. Government reports say the telecommunications bill has now been completed.

Until the end of January the government intends to select prequalified companies to operate telephone services; between January and April it will open an information center, which is of vital importance; and by 1 May Entel will be operated by the private sector.

Petroleum

The state petroleum company is the only "world scale" enterprise, so its privatization poses a great challenge.

With its estimated proven and potential reserves, this sector has a strong appeal to attract investment, to generate sufficient resources for national growth, and become the distribution center for the Southern Cone.

Part of its privatization potential includes the fact that it has been exporting gas to Argentina for 22 years, and it now has a 20-year gas sales contract with Brazil. In addition, there is an ambitious gas sales project to northern Chile that could begin at the end of 1996.

Several options are possible: an integrated and privatized company with all its existing assets; or a company separated into refining and distribution, with another for hydrocarbon transport. The transfer should be concluded in December 1995.

Three Depressed Sectors

Despite the worldwide crisis in aviation, mining, and railroads, sectors that correspond to our state enterprises Lab, Vinto, and Enfe, the government plans to privatize them during the coming year. But experts say those three companies could have more difficulty than expected in finding "strategic partners."

Privatization Ministry officials acknowledge that some companies are more attractive than others. They say that what needs to be done now is to make Enfe, Lab, and Emv [Vinto Netallurgical Company] more viable and attractive, using a new approach to generate sufficient interest and competition, and to carry out their privatization process "successfully" within the scheduled time frame.

Aviation

On a worldwide level the aviation industry is now recovering from one of the most difficult periods of its history, with huge losses in the airlines, and the disappearance of some of them.

This is the fundamental cause of the reluctance on the part of airlines to make new economic commitments.

The globalization of the airlines is taking place through strategic alliances that do not necessarily include capital investments.

In Lloyd's case, "modest" capital infusions are needed, it is said, compared with other world airlines. In 1995 the legal framework will be refined to reflect the impact of deregulation and to take into account the new competitive environment, the Andean Pact's open sky policy, and the need to modernize Bolivia's civil aviation sector.

Railroads

Enfe might also have difficulties with privatization. For many years it had inadequate maintenance and little investment.

This is another sector with no great amount of resources available, either from international railroad companies or from financiers of projects of this nature.

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After the track gauge width, another problem is that Bolivia's eastern and western networks do not interconnect. Still, the government expects that with increased investments Enfe will become a key player in railroad transportation on the continent. The establishment of the Atlantic-Pacific railroad corridor will make transportation cheaper.

Vinto

Although still suffering from the depression in mining, the Vinto Metallurgical Company will continue to be an "efficient" operator, says the government. The privatization strategy for Vinto includes some of the mining operations that belong to Comibol [Mining Corporation of Bolivia] in a single package with the foundries.

Privatization Minister Alfonso Revello has explained optimistically in the past that they want to make the mining industry internationally competitive, with advanced technology and administrative efficiency.

Evo Morales Discusses Career, Personal Life

95SM0178A La Paz HOY in Spanish 15 Jan 95 pp 8-9

[Interview with coca growers leader Evo Morales by unidentified HOY reporter; in Villa Tunari, Chapare; date not given: "The Coca-Growing Trumpet Player"]

[FBIS Translated Text] *Evo Morales Ayma, born in an Oruran community 36 years ago, has been a leader of the coca growers since 1981. In an interview with HOY, under an orange tree in Villa Tunari, Chapare, he admitted to being in love and that he is considering marriage, like any other mortal, but in a temple (imaginary) made of coca leaves. Evo, whose community nicknamed him "the young ballplayer" because of his fondness for soccer, says (smiling) "I wear number 10 when I play, like Maradona." About another facet of his life, he recalls that music was not just a hobby, but also how he earned his living, because as a youth he was a trumpet player in one of the most famous bands in the country: the Imperial of Oruro. But before that, he worked as a baker in order to survive in the Payer's Capital [Capital del Pagador], where he went to school until the third year of middle school. As fate would have it, and in one of life's paradoxes, he was a "suppressor" of coca growers in 1978, when the last dictatorship was on its way out, and he was a soldier. "They used us to suppress the coca growers of Los Yungos, who, at the time, had blockaded the highway in protest against the dictatorship. I could never have imagined then that I was going to be a leader of the coca growers," he recalls.*

Evo, son of Dionisio Morales Choque and Maria Ayma Mamani (both deceased), appeared in public life as though he had been selected by a fate known only to Greek, Aymar, or Quechua mythology. His career as leader of the union of coca growers has placed him in opposition not only to a series of governments, but also to a world power, personified by the Embassy of the United States. With a clear conception of the coca leaf, which he defines as a symbol of independence, liberty, dignity, and of Bolivian sovereignty, an Evo Morales, whose human side was previously unknown to us, speaks on this occasion.

[HOY] Lately, you have emerged as an unquestioned figure on the national stage. Nevertheless, there are many things about you that people do not know and that they would like to know, apart from your organizational activities. For example, where were you born, how old are you...?

[Morales] I was born on 26 October 1959, in the community of Isayabi del ayllu Sullk'a, Orinoka canton, in the Province of Sur Carangas, department of Oruro.

[HOY] Did it ever occur to you to find out whose idea it was to give you the name Evo (masculine of Eve), when "correctly" and in strict accordance with proper noun usage, your name should have been Adam?

[Morales] Well—smiling—I should have asked my father and my mother, or we will have to go to the cemetery to find out why they called me Evo instead of Adam. I know that my name is a bit strange, I do not know where my father got it. I, myself, am in doubt.

[HOY] Evo, what activities did you engage in as a child, what did you do in your community, how old were you when you left, and why did you leave home to come to Chapare?

[Morales] What I recall is that in every peasant community there is always a small sectional school. So between the first and second years of elementary school, I only had to travel an average of 10 kilometers to go to school. To attend third grade, I had to go to the sectional school at Orinoka, some 15 kilometers from the community. To help out, during the winter and end-of-course vacations, we had to work for the family, with farming and livestock. We were a very sports oriented family, and since I was very small my father encouraged me to practice sports, and not only me but the whole family.

[HOY] There are many limitations on education in rural areas, because school facilities can barely offer the intermediate level. Where did you continue your studies and how far did you go?

[Morales] When I reached adolescence I wanted to continue to study, but there were rather serious economic problems in the family and in the community, because in the countryside, on the high plateau, production cannot be guaranteed. Climatological factors such as drought, frost, and hailstorms sometimes destroy crops. Therefore, there were years when we went hungry. For example, I remember, I do not know what year it was, we had only one sack of corn for the whole family, and it was corn for breakfast, corn for lunch, and corn for supper. Finally, we ran out of corn. My father took me away with him, along with 50 or 60 male llamas. We walked for three weeks from Orinoka to Independencia, to look for

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corn, and then to trade corn for dried beef and salt. In this way we returned from the valley with certain agricultural products, not only to share them with the family, but also with the community. My father had a feeling of great solidarity with the community, within that framework there was a great deal of opportunity to share the economic, social, political, and cultural problems of the community. Later on, I felt that I had to continue my studies, and I went to the city. There, I had to find a way to support myself while I went to school, although I continued to receive help from my father, but I had to account for the little assistance they sent me, and I have never enjoyed being supervised.

[HOY] What did you do to break away from this dependency on your parents?

[Morales] I began to work in a bakery close to where I lived, making bread, getting up at two, at three in the morning to help with making the bread, and in the afternoon I went to school. My father had also taught me a bit about playing the trumpet and wind instruments. On weekends, we used to go with some band or other to play in one of the provinces, and in this way I raised money so that I could continue my studies.

[HOY] Did you finish high school?

[Morales] I was not able to finish. I went as far as the third year.

Evo and Music

[HOY] Do you still play the trumpet? Do you have it with you?

[Morales] Not any more, brother, I left it with my nephews. Much depends on the mouthpiece, on your lips. If you do not play for a long time, you cannot make the trumpet play or cry well.

[HOY] I did not know that you have to have good lips....

[Morales] Rather, sensitive lips. As you continue to play, they become sensitive, they cause the trumpet to produce a melodious tone.

[HOY] What kind of music did you play, what songs, generally, what tunes?

[Morales] I played tinkus, morenadas, diabladas, for the processions in the carnivals, for the little children to dance to.

[HOY] What kind of music do you like?

[Morales] Above all, national. The rhythm of the tinku; we are fans of the national groups that play protest music.

[HOY] So you used to play in the Royal Imperial of Oruro....

[Morales] It used to be called the Imperial, then it split into the Royal Imperial and the Super Imperial of Oruro, two famous bands. I played in the Imperial. My former colleagues, now in the Royal Imperial of Oruro, have promised me that they will play a song dedicated to the March of the Coca Growers.

Evo, the "Suppressor" of the Coca Growers

[HOY] And then what did you do?

[Morales] In 1978 I went to the encampment of the 4th Ingavi Cavalry Regiment, La Paz, which had been established for some years at the General Staff in Miraflores—right in the middle of the transition from dictatorship to democracy, during the regime of Hugo Banzer Suarez. There were political conflicts, there was a change of government, General Banzer turned power over to General Pereda, and there were changes in various commands around the country. At that time, I was a military policeman for General David Padilla Arancibia, when he was commanding general of the Army. One night, that same General Padilla showed up as president of the Republic. I realized then the kind of people that were in charge of the country. At that time, from 10 to 15 generals were making decisions in the name of the entire country, which is a little frightening....

[HOY] Do you recall any memorable event or any anecdotes from that period?

[Morales] I recall that during the dictatorship, we, who were from farms or mining centers, were employed as soldiers. I remember certain occurrences, for example when they brought us to put down the road blockade in Coripata, which perhaps was the first time in my life that I visited a coca growing area, and then as a "suppressor." That is an anecdote, no?

[HOY] At least at that moment, did it ever cross your mind that one day you would be a leader of the coca growers?

[Morales] I never dreamed it, but I began to think about the repression and the injustices being committed against the most impoverished.

[HOY] To what conclusion did this analysis lead you? Why did you decide to leave home?

[Morales] Well, faced with the climatological problem that we had, my father said that on the high plateau, no matter how hard the peasants might work, they would never get ahead. Therefore, we had to move on, either to the east or to the valley, only there would we be able to get ahead. I left my village for Chapare, after my military service, after 1978.

Evo's Luck

[HOY] Evo, in the communities and in the villages, they generally read the fortunes of persons with coca leaves, with decks of cards, or with an oracle. Have they ever read your fortune, ever told you what your future would be?

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[Morales] I remember that in my community I began to coach a soccer team. We even gave it a name, Fraternity, that we thought of ourselves, my cousin and I. We organized championship games there; we coached the team; our team was a champion. A lot happened. And once I heard my father and some neighbors from the community, from the ayllu and from the other ayllus, comment—because it seems I had been awarded prizes one or two years in my school in Orinoka when I was about 10 or 11 years old—they said: this Evo, it seems that he might be a good leader. I did not understand then what it meant to be a chief, a leader, but they made this comment. Nobody ever read my fortune, that I can recall. No, I know nothing about that.

[HOY] Did it not concern you what destiny might be in store for you?

[Morales] No, I was more dedicated to sports; it concerned me very little; because my goal was to study, where to find money to continue studying, those were my principal concerns.

[HOY] And under what number or in what position do you play soccer? I imagine that you continue to practice.

[Morales] I was goal scorer, brother. I used to play, and I still do, with T-shirt nine or 10.

[HOY] More or less like Maradona.

[Morales] Of course, brother, although not of that stature.

Evo in Chapare

[HOY] When you went to Chapare with your father, was it difficult to leave behind your land, your home, and your friends?

[Morales] Yes, I could not get used to it during the first weeks. Chapare was really another world for me, where you could breakfast on orange juice and papaya. I would eat pure papaya, but while on the high plateau, you would eat part of the rind along with the orange. During the first weeks, I wanted to live on fruit alone and not have to cook. However, after three or four days I began to have dizzy spells and other symptoms, and I realized that I could not live only on fruit. Then I started cooking in Chapare. Later on I got used to it.

[HOY] Tell us, brother, how did you come up with the idea of joining the coca growers union in Chapare?

[Morales] I think that sports has always been very important in Chapare, which is why my first position was secretary for sports in the San Francisco de Villa union (14 September 1981). At that time the comrades there did not know me as comrade Evo, but as "the young ballplayer," playing on the soccer field every Saturday and Sunday, organizing matches in the union. I reached the conclusion there that the secret of sports is not, let us say, to play or to win matches, but rather assimilation. Through sports activities, a process of integration takes place with a part of society that plays a particular sport.

[HOY] Beginning with that position, you began to move up until you reached the point where you are now.

[Morales] Later I was appointed recording secretary of the union, then I moved to the central in the same position (because the unions, together, constitute a central). Then, I became leader of the union, and then of the central. For three or four terms, I was leader of the central. In 1986, they proposed me as candidate for the Federation (Sole Federation of Tropical Cochabamba), although we had founded a good organization called the Broad Front of Anti-Imperialist Masses (FAMA), which had earlier been called the Broad Front of Anti-Imperialist Bases (FABA). However, in a meeting of the leadership group, it was pointed out that perhaps it was not a good idea, because of the A [anti]. It would be questioned in Congress. They would say that it is too political. Therefore, the A had to be eliminated, and it became the Broad Front of Bases (FAB), like the Bolivian Air Force (FAB). As there was a possible confusion here, we reviewed the situation and replaced the B with an M. It then became the Broad Front of Anti-Imperialist Masses (FAMA). We lacked experience, we were young. We were not able to lead and we lost.

[HOY] When did you arrive at the Federation?

[Morales] The following year, in July 1988 we won Congress.

[HOY] What were you thinking at that moment? Were you frightened of anything? Were you very confident? Were you sure of reaching the position you hold now?

[Morales] First, I was inexperienced. Second, I tried to do my job as responsibly as possible; I devoted all my time to it. The most important thing, I thought, was to be honest and sincere with the membership, respectful toward the members and haughty without enemies, no? That was the first rule I proposed to myself. I am saying this to you for the first time. I have never before told any journalist.

The Two Faces of Evo

[HOY] Without being an egotist, Evo, what was the quality that best served you in winning so much respect from your members?

[Morales] I think it was knowing that we run a risk, that we are exposed to danger, not only me, but all of the leaders of unions, centrals, and members of the Federation. I think that this is what the comrades like. They told me yesterday: we know that you are risking your life, but you go on fighting. It is something like that. I think that they were referring to the courage that everyone must have to face the facts and deal with difficult problems. In an area as dangerous as Chapare, where imperialism is present in a very real way, it is very

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dangerous to take chances, to speak the truth, to fight for a just cause, to fight for human rights, which is a real crime in Chapare. The strength of the unions and the Federation helps us a great deal.

[HOY] Evo, do you have any defects that even you do not like?

[Morales] I believe that, especially in my case, I am not very organized in reviewing documents or reading books. For example, during the March for Coca, Sovereignty, and National Dignity, in the city of La Paz, many comrades, I do not know who they were, told me that I should read, study, educate myself, but I cannot, and it bothers me. It is not out of irresponsibility, but often for lack of time, because I have to be traveling, three, four, or five nights to organize activities. This keeps us from improving ourselves. It bothers me a lot.

Evo and Love

[HOY] Brother, people want to know whether you are married or a bachelor.

[Morales] Brother, I am still a bachelor, although not entirely, because I am married to coca and to the Federation.

[HOY] Apparently you are not planning on marrying.

[Morales] We are always about to get married, but we are going to need room, we will have to rent a stadium (laughing) and organize a great mobilization.

[HOY] Would you like to get married in Chapare, where the coca plantations are, in a church made of coca leaves?

[Morales] It would be wonderful, no? To bring in some Third World priest and have him celebrate mass inside the coca church, brother.

[HOY] Evo, do you have a loved one, a fiancee, or a companion?

[Morales] I believe so, but it is too soon to talk about it.

[HOY] Can we know her name?

[Morales] No, brother, you will have to investigate. Right now we are in the middle of a tough fight. There is fear, fear of the DEA [Drug Enforcement Administration]. There are times that we are afraid that everyone knows about our relationship. The fear is more about her family, which has completely won me over. Her father was an important man in the MNR [Nationalist Revolutionary Movement] who suffered great persecution together with his family during the dictatorships, that is the fear, uuuuhhh. When they learned who this Evo was, it scared the hell out of them, brother.

[HOY] Are you in love?

[Morales] Yes, brother, for the first time.

Evo and Politics

[HOY] What are your plans as a leader, as a person, as Evo Morales?

[Morales] Sometimes I myself do not know where I am going, but at the moment I am concerned only with defending coca, fighting for development, and defending human rights. Afterward, I do not know. Perhaps that is my mistake, not to have a definite goal. Now we are working on building a political instrument, which our grassroots are demanding.

[HOY] Have you had any political offers lately?

[Morales] Since the march, many political parties, I will not tell you which ones, but at least three or four, have been telling me that, together with their chief, I would make a good alliance. I have told them to stop bothering me, because I have no talent for partisan political activity. I might have some talent for union leadership in which I have some experience, although I have made mistakes.

[HOY] That is to say, they offered you the vice presidency....

[Morales] When they spoke of alliance I am sure they were offering me that. But perhaps they did it only to feel me out. Brother, I have a duty to my grassroots followers.

[HOY] Do you belong to any political party?

[Morales] I belong to no party, brother, although we have often supported parties of the left. First, the United Left (IU), and lately the Axis [Eje] (Pachakuti), but no, we are not members of any political party. Unfortunately, each one has its owners, who defend group interests. For example, the UCS [Solidarity Civic Union] and Condepa [Conscience of the Fatherland] used to fight like dogs and cats, but now they have forgotten everything and join forces to fight the MNR. Everyone makes the alliances that suit their purposes.

[HOY] Evo, what does the coca leaf signify for you?

[Morales] For us peasants, the coca leaf signifies Bolivian sovereignty, dignity, liberty, equality, and anti-imperialism. This is why we shout with feeling "kausachun coca, wuanuchun gringos" ("Long live coca, death to the gringos," in the Quechua language).

Brazil

Brazilian, Argentine Presidents Meet 17, 18 Feb

PY1802225295 Sao Paulo AGENCIA ESTADO in Portuguese 1425 GMT 18 Feb 95

[FBIS Translated Text] Foz do Iguacu, Parana State, 18 Feb (AE)—President Fernando Henrique Cardoso and his cabinet today closed their meeting with Argentine President Carlos Menem and his cabinet with a broad goodwill agenda seeking to intensify relations between the two countries. At the end of the first working

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meeting—which was held at the Iguazu International Hotel, on the Argentine side, on the night of 17 February—President Cardoso said: "It has been very positive and agreeable. Our relations with Argentina are increasingly more fluid. Now it is time to emphasize the physical integration between our two countries through highway construction and energy, as well as other aspects of our administrative policies."

During the first round of talks, the two administrations' staffs, which were divided into five groups, showed signs of having reached agreements in several areas. President Cardoso wants to eliminate the "small barriers" still existing with regard to our Mercosur [Common Market of the South] partner. He recalled that trade (import plus export) between Brazil and Argentina will total nearly $10 billion in 1995. In 1991, trade between the two countries totaled only $2.5 billion. "I believe that from this meeting on, our relations will function more effectively and our actions will be swifter," President Menem agreed.

In the area of communications, Brazil and Argentina plan to create technical committees to interconnect the two countries' fiber optic networks, to implement a system for the control of radio frequencies, and to study a plan to make the two countries' telephone tariffs the same. The two countries also want to end the so-called "stratospheric barrier," and exchange services that are rendered by the Brazilian Brasilsat satellite and the Argentine Nahuel satellite.

In the field of justice, the two governments will begin in 30 days to discuss drug enforcement, anti-terrorism efforts, exchange of prisoners, and extending the duration of diplomatic visas granted for Brazil and Argentina. Justice Minister Nelson Jobim wants to discuss with his Argentine counterpart discriminating drug consumption from preventive and repressive measures to end drug trafficking. One of the few concrete decisions made during the meetings dealt with the construction of a bridge to connect the town of Sao Borja (Rio Grande do Sul State) to Santo Tome, Corrientes Province. Transportation Minister Odacir Klein has asserted that on the Brazilian side there are no difficulties regarding resources. He added that he will do his best to ensure allocation of $8 million to his ministry this year to begin construction of the Brazilian portion of the bridge. The cost of this part of the work is estimated at $31 million.

The meeting of the two chiefs of state, the 16 Brazilian ministers and the four Argentine ministers and 13 secretaries—the two entourages totaled 140 people—was in reality good propaganda for President Carlos Menem. Three months before the presidential elections, Menem used the political occasion to show his voters that President Cardoso supports his reelection. President Cardoso appreciated the Argentine's hospitality. "Menem is a popular president and this helps a lot," he said.

Today, before closing the two-day meeting, Presidents Cardoso and Menem posed for photographs with Iguazu Falls in the background. The dinner Menem gave for Cardoso on 17 February was marked by the exchange of praise between the two presidents. The dinner took place on Argentine territory, next to Iguazu Falls. With a glass of red wine in his hands, Cardoso invited all guests to salute the Argentine president. He spoke about his feelings for Argentina, which was the first country he lived in after being exiled during the Brazilian military regime. "For many years, I had Argentina, not only in my heart, but also as part of my life," he said. He very warmly referred to the Argentine president, saying: "Nowadays, we do not have to look into each other's eyes or talk over the phone to realize that Brazil and Argentina are in our hearts."

Presidential Spokesman on Meeting

PY1902031495 Buenos Aires TELAM in Spanish 1817 GMT 18 Feb 95

[FBIS Translated Excerpt] Foz do Iguacu, Brazil, 18 Feb (TELAM)—In his report about the work of the Argentine-Brazilian committees for Mercosur [Common Market of the South] integration, Brazilian Finance Minister Pedro Malan highly praised the Argentine economic performance.

According to President Fernando Henrique Cardoso's spokesman, Sergio Amaral, Malan said "The Argentine economy has had an extraordinary performance in the last few years." [passage omitted]

Amaral made a detailed report to the two countries' media of the results of the committees' work.

The first point Amaral referred to "was the two countries' satisfaction over the possibility of consolidating the cease-fire between Ecuador and Peru, which was the first step toward the establishment of a long-lasting peace in the entire region."

Two of the main aspects of the integration process have been approved by the two presidents: the first and most important one was to promote and consolidate an "integration culture that will deeply penetrate the conscience of the civilian societies."

The second was that the agreements reached in the political and macro-economic fields "have a direct and concrete effect on each aspect of the integration process." [passage omitted]

Amaral then reported on the bilateral ratification of the two countries' intention to integrate "the brotherly Bolivian and Chilean nations" into Mercosur [Common Market of the South] in the swiftest and most appropriate manner.

The two presidents also received a detailed report on matters related to international finances. In this regard, they said "the Mexican experience shows it is necessary to ensure the support of the international organizations and to establish a fluid exchange of information among the Latin American central banks."

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From this point of view, the two presidents will exhort "the Bretton Woods [two preceding words in English] organizations—the IMF and the World Bank—to closely cooperate with the developing countries in accordance with the new reality represented by the internationalization and immediacy of the markets."

President Cardoso spent 10 minutes explaining the details, characteristics, and prospects of the proposals for constitutional reform that he recently sent to his country's Congress. [passage omitted]

After that, the ministers reported on the results of the meetings of the five committees, which were established in this summit.

The "infrastructure" group discussed three areas: telecommunications, transportation, and energy.

Regarding telecommunications, the committee agreed to harmonize the two countries' technologies and technological policies.

The committees promised to make joint efforts to prepare the two countries for new technologies linked to the so-called "informatics superhighway."

The ministers of the telecommunications area committed themselves to analyzing the possibility of reviewing the communications area utility rates with the objectives of reducing costs and ensuring the optimum technological level of the same. [passage omitted]

The two presidents also decided to approve the necessary steps to begin, as soon as possible, remodelling and modernizing the Uruguaiana-Paso de Los Libres customs post.

It has also been decided that the two countries' freight companies will be treated in both territories as national companies.

In the area of energy, the ministers agreed to speed up their countries' respective laws in order to increase bilateral trade of electricity and gas, thus making prices and utility rates reflect the energy-producing cost.

Cardoso Comments on Integration

PY1902000995 Madrid EFE in Spanish 1736 GMT 18 Feb 95

[FBIS Translated Excerpt] Foz do Iguacu, Brazil, 18 Feb (EFE)—Brazilian President Fernando Henrique Cardoso and Argentine President Carlos Menem today made a positive evaluation of the two-day meeting held at the common border, which was attended by almost all of the two countries' ministers. [passage omitted]

Cardoso, who during his stay on Argentine territory spoke Portuguese and Spanish, emphasized the fact that all barriers that had been separating the two countries and their peoples had been eliminated. He regretted, however, that due to small administrative and bureaucratic problems which should be solved soon, integration has not yet been fully achieved. He said that these problems will be solved soon because the two countries' political will in this regard is very clear.

"Capital is already flowing and soon workers will move across the borders, as businessmen are already doing, and as we intellectuals did before them," he pointed out.

Malan, Cavallo Defend Support for Developing Economies

PY2102144295 Sao Paulo AGENCIA ESTADO in Portuguese 1533 GMT 18 Feb 95

[Report by Aldo Renato and Claudia Carneiro]

[FBIS Translated Text] Brasilia, 18 Feb (AE)—Discussing the Mexican financial crisis, Brazilian Finance Minister Pedro Malan and Argentine Economy Minister Domingo Cavallo today defended the creation of an international financial organization to support those economies that are in a stabilization process. They concluded that the Mexican crisis has forced countries "to make a greater effort to carry out state reforms, fiscal adjustment, and privatizations to avoid the imbalances that are the source of instability." Malan and Cavallo attributed the Mexican crisis to the integration of national financial markets and to increased interest rates.

The two ministers head the economic policies coordination groups of the two countries. Brazilian Presidential Spokesman Sergio Amaral said Minister Malan pointed out the importance of price stabilization to stabilize the economy. Amaral said Malan praised the Argentine economic plan. He said: "The Argentine economic performance is praiseworthy."

Malan and Cavallo also discussed the Common Market of the South, Mercosur, and the constitutional amendment proposals sent by the Brazilian Government to Congress.

As for the work groups, the only concrete decision made was to build a bridge linking the cities of Sao Borja, RS [Rio Grande do Sul State], to Santo Tome, Corrientes Province. The transportation group will modernize baggage and passenger procedures on the border between Uruguaiana-RS and Paso de Los Libres, Corrientes. It has also been decided to modify the law to give transportation companies from the two countries the same national treatment.

President Fernando Henrique Cardoso pointed out that integration between Brazil and Argentina must be based on the unity of the two peoples and he defended a greater exchange of students and society.

Editorial: Cardoso-Menem Meeting 'Inopportune'

PY2202021395 Sao Paulo FOLHA DE SAO PAULO in Portuguese 18 Feb 95 Section 1 p 2

[Editorial: "Inopportune Meeting"]

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[FBIS Translated Text] The two-day meeting between President Fernando Henrique Cardoso and his ministers on the one hand and President Carlos Menem and the highest-ranking Argentine officials on the other, which began on 17 February, does not seem to have been held at the most opportune moment.

Unless President Cardoso is sure that Argentina will succeed in overcoming the serious problems it is now facing, the idea of linking his administration's image with that of a country badly affected by the crisis that began in Mexico does not seem to have been a good one. The topic to be discussed makes the meeting still less suitable. The two governments are planning to discuss the bases for their exchange policies and the behaviors of the two countries' stock markets.

Although it is to be admitted that the ties of the Common Market of the South determine a natural closeness between the two countries—which is something to be desired—it is neither prudent nor realistic to ignore the delicate circumstances Argentina has been facing.

The country has been suffering trade deficits since 1992, and its capacity to attract foreign resources has been decreasing. Changes occurring in the international scenario resulting from the Mexican "debacle" have caused Argentina to swiftly lose reserves. The scarcity of dollars, and the difficulty in attracting resources, have created new difficulties for the exchange parity policy, the banks, and the companies that have debts in dollars.

If the international market already has difficulties in distinguishing differences between the Latin American countries—if it indeed manages to—the bombastic meeting of the Brazilian and Argentine Governments, which was attended by 40 ministers and secretaries in addition to the presidents, will only increase the foreign impact on the Brazilian market if a crisis does occur in the neighboring country.

It is natural that, finding itself in difficulties, Argentina wants to borrow credibility from Brazil. The Brazilian Government, however, would be wrong to believe that it has plenty of credibility.

Proposed Drug Enforcement Accord With U.S. Viewed

PY2202111895 Sao Paulo GAZETA MERCANTIL in Portuguese 16 Feb 95 p 5

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] Even before President Fernando Henrique Cardoso goes to Washington in April, Brazil and the United States will probably sign a new cooperation agreement on drug enforcement operations. It will be more comprehensive than the one signed in 1986.

New fields of cooperation are included in the document that has been sent to the United States to be analyzed by the Department of State and the Justice Secretariat. The laundering of assets resulting from drug trafficking; cooperation in the judicial area; the harmonization of repressive, therapeutical, and rehabilitation measures; and customs control are the activities that interest the two countries and which were not included in the previous agreement. It was signed before the 1988 Vienna Convention and ratified by Brazil in 1991. Luiz Antonio Facchini, head of the OAS Division of Itamaraty, has said the 1986 treaty is the most modern document on the issue and was used as the basis for the new Brazil-U.S. accord.

Facchini said the ill feelings between the two countries were clarified in October 1994, when Brazilian and U.S. officials met to discuss cooperation. The U.S. idea about the effectiveness of the Federal Police in fighting drug trafficking was very different from the Brazilian one. The fact that 2.2 tonnes of cocaine were seized in Brazil in 1992, 7.2 tonnes in 1993, and 11.5 tonnes in 1994 made the United States believe drug trafficking has been increasing in Brazil and that the U.S. help was not being well used. Facchini explained, however, that Brazil believes the increased quantity of cocaine seized each year reveals the government's effectiveness in fighting drug trafficking.

After the October meeting, the United States became convinced that "Brazil gives more priority to the issue and its efforts are succeeding." In view of the optimum atmosphere between the two countries, U.S. Attorney General Janet Reno asked to talk to her Brazilian counterpart, Nelson Jobim, during President Cardoso's installation. Facchini said that, during the talk, it became clear the two countries want to intensify and expand cooperation.

Commentary Examines U.S. Official's Remarks on Amendments

PY2102230195 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Feb 95 p A3

[Unattributed commentary: "The Effects of an Amendment"]

[FBIS Translated Text] If one wants to assess the importance of the constitutional amendments that Planalto Palace has submitted to Congress, it would be sufficient to take into account the statements made in Sao Paulo by U.S. Under Secretary for International Trade Jeffrey Garten. Upon learning about the text of the proposed amendments, especially the one eliminating the difference between Brazilian enterprises and Brazilian enterprises of national capital, Garten did not hesitate to say that if relations between the United States and Brazil had "problems in the past, today we see opportunities."

The amendment to Article 171 of the Constitution, which eliminates discrimination against foreign capital, is surely essential for the implementation of other amendments related to the economy. Indeed, the doors

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will be opened to foreign capital, so that it can work as a partner in the major investments that Brazil will have to make to become a competitive country, undertake projects, and create enterprises that will increase the supply of goods and services. The remarks by Jeffrey Garten have proven this.

The U.S under secretary came to Brazil to prepare both the visit that U.S. Secretary of Commerce Ron Brown will soon make to our country, and the upcoming visit that President Fernando Henrique Cardoso will make to Washington. In the middle of a crisis affecting developing nations—which led President Bill Clinton to adopt a bold position to reduce the negative effects of the problem—Jeffrey Garten stated that Brazil is "one of the world's 10 most important emerging markets," adding that it will be one of the countries "with strongest influence in the future." He thus showed that he does not share the financial markets' concern about the Mexican crisis, which has not yet been fully understood.

Garten did not limit himself to making a declaration of principles, which might have been considered appropriate for diplomatic language. He cited concrete examples, revealing that the Washington government intends to effectively participate—as a partner—in our development. While the World Bank, in which U.S. influence is predominant, has so far refused to become involved in the construction of the Brazil-Bolivia gas pipeline—on the grounds that the Petrobras [Brazilian Petroleum Corporation] monopoly has been maintained—Garten said his country is strongly interested in participating in the project. It is a major investment that remains shelved because of lack of funds. In light of the possible franchising of the operation of the gas pipeline, the United States has joined the list of those interested in partnerships with local investors.

The telecommunications sector, one of the most promising sectors as far as the volume of investment is concerned, was also mentioned by Garten, who did not conceal his country's concern over the regulations in the area (a warning for Brazil). He reported that in July the Washington administration will summon entrepreneurs of the telecommunications sector to study how to participate in the investments that will be made abroad. The telecommunications sector is known to have been opened to foreign capital by the majority of developing nations after a privatization process that in Brazil will follow a system of franchises.

Jeffrey Garten emphasized a major fact: If bilateral relations have so far been managed by big companies, the U.S. Government now intends to expand such exchange, to include smaller enterprises playing a major role in their countries. It should be understood that the opening up of the international market to smaller enterprises will permit us to substantially increase our exports, thus preserving and even strengthening our balance of trade surplus, doing away with all concerns about our balance of payments. It should be added that if smaller enterprises manage to operate on the international market, this will be the result of increased productivity, which will partly benefit the domestic market.

If the liberalization of commerce was very positive for our economy, the opening up of the financial sector (to foreign capital) will be even more important for us to increase our investment, especially in an infrastructure, which is very obsolete and could seriously hinder efforts to increase our production. In this regard, it can be perceived that the constitutional amendments that Planalto Palace has submitted to Congress could decide our future. That is indeed a fact to reflect on.

Economy Affected by Trade Balance Deficit, Mexican Crisis

PY2102172895 Sao Paulo FOLHA DE SAO PAULO in Portuguese 19 Feb 95 Section 1 p 2

[Editorial: "Still in the Red"]

[FBIS Translated Text] For the third consecutive month, the trade balance has been negative. This shows that the effects of a strong real and low import taxes are greater than the government expected.

Government officials expected Brazil this year to attain at least a $5 billion surplus in its trade balance to partially compensate for the foreign debt interest payments which will amount to nearly $12 billion in 1995. The trade deficit in January is a bad start.

The government decision to increase car import taxes shows it is alert to the balance of payments. It is still not known if the measures so far adopted are enough.

The financial encouragement to exporters serves to compensate for the low dollar exchange rate, and the eternal complaints by exporters about exchange rates are now unjustified. The extension of the terms of the so-called Advanced Exchange Contracts (ACC) allows exporters to receive some interest earnings before the sale operation actually takes place.

This operation, however, is only fruitful when interest rates in Brazil remain higher than those abroad. ACC operations also allow dollars to come into the country before the exports are shipped.

In this manner, the Central Bank can use the dollars from exports that have yet not been shipped. In the future, however, the opposite will occur. With the reduction of interest rates or of the ACC terms, the inflow of dollars will be reduced. Evidently, the simple financial advance operation does not modify the total value of the exports.

By drastically reducing the financial flows into Latin America, the Mexican crisis harmed one of the pillars of the real plan. The government intended to control prices through the massive importation of goods. This strategy has lost momentum. Agility is required to modify the stabilization policy to a more adverse scenario.

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Government Orders 90-Day Hiring Freeze, Spending Cuts

PY2102153995 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 17 Feb 95 p B5

[Report by Odail Figueireido]

[FBIS Translated Text] Brasilia—The Brazilian Government yesterday imposed a 90-day freeze on the hiring of new personnel at 150 federal state-owned companies, and ordered a cut of 3.6 billion reals [R] in the expenses of these companies. The spending cut will total R1.6 billion among production companies and R2 billion among official banks. The hiring freeze will affect 16,000 servants dismissed during the Collor administration. Having being amnestied, they are waiting to be reinstated.

The above decisions were made by the State Enterprises Control Committee (CCE), which also ordered an audit of the pension funds of all state-owned companies. For the next 120 days, executives of state-owned companies may not sign any resolution that would increase the deficit of these funds, which are usually covered by the sponsoring company. Distribution of profits to employees has also been suspended until the CCE establishes the appropriate rules for this. State-owned companies must submit to the CCE, with a minimum lead time of 90 days, their proposed labor agreements with their employees.

Planning Minister Jose Serra, who presides over the CCE, said: "We must relate the performance of state-owned companies to the needs of the economic stabilization program." Serra noted that the decision to cut current expenditures—salaries, services by third parties, and purchase of goods and services—seeks to prevent the government from reducing this year's planned investments by state-owned companies; that is, R7.2 billion.

Apart from investments, the cuts will not affect the purchase of basic supplies and other goods earmarked for production, the collection of taxes, and payment of interest.

Serra said: "The stabilization program has provoked a rise in demand which, in turn, requires larger investments and production." He added: "Only in this way will we continue to grow without inflation." He noted that most of the R3.4 billion cuts in the investment budget of state-owned companies announced last month will be reinstated. The cuts were made due to technical problems. The ministries are currently evaluating their priorities and the resources available in the companies within their jurisdiction.

IBOPE Conducts 'First' Opinion Poll on Government

PY2202122595 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 21 Feb 95

[FBIS Translated Text] The Brazilian Public Opinion and Statistics Institute [IBOPE] has released the results of its first survey on the way Brazil is going and on how the government is performing. Between 7 and 12 February, 3,000 voters were polled nationwide.

Asked about their standard of living, 66 percent said they are satisfied, while 32 percent said they are dissatisfied.

Asked is Brazil is on the right track, 61 percent said it is on the right track, while 24 percent said it is on the wrong track.

Asked if they approve of the real plan, 85 percent said they approve, while 6 percent said they disapprove.

Asked if they approve of the president's performance, 63 percent said they approve, while 21 percent said they disapprove.

Asked if they trust the president of the Republic, 66 percent said they trust him, while 26 percent said they do not trust him.

When asked by IBOPE to compare this administration with previous ones, 66 percent said this administration is better, 22 percent said it is the same, and 4 percent said it is worse than previous ones.

Asked about the presidential veto of the minimum wage increase to 100 reals monthly, 45 percent believe the veto was good for the country but bad for the workers; 36 percent believe it was bad for both the country and the workers; and only 11 percent believe it was good for both the country and the workers.

Embratel, Telebras, ECT To Remain Public Companies

PY2202123595 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Feb 95 p B1

[Article by Eleno Mendonca]

[FBIS Translated Text] The number of Telebras [Brazilian Telecommunications, Inc.] subsidiaries will be reduced from 27 to a maximum of six. This was announced by Communications Minister Sergio Motta who added that the move is inevitable. He wants to deregulate the whole telecommunications system and allow the participation of private capital. During a second stage, private and public companies will compete freely. "It will be like a contest between Mike Tyson and Maguila [Brazilian boxing champion], everyone will have to be competitive," he said. During a third stage some companies will merge and others will close.

Minister Motta said that once his ministry is reorganized, "at the most" Telebras will remain as a franchise-granting and system- control holding of Embratel [Brazilian Telecommunications Company]—which will be totally controlled by the government since it is considered strategic from the point of view of information—and of the Postal and Telegraph Company (ECT) which will operate in partnership with private initiative. Motta

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said: "Anyone who thinks their patrimony will be sold in 10-minute auctions is mistaken. We want to establish an scenario of competition."

He said the system must be attractive for investors, especially for foreigners. Motta is preparing a document called PAST—a program to recover all telecommunications fields—in which he intends to invest $32 billion over the next four years. "Of this total we only have half. This year, for example, we have assured $4.3 billion plus $1.6 billion which the economic team is reluctant to release given its foreseen budget deficit." The rest will be sought through partnerships and opening of the market to private companies. Motta also plans to modify telecommunications rates: "Interurban calls are prohibitive while local calls are too cheap. This must be changed."

The Communications Ministry envisages allowing partnerships and selling public companies shares. A group has been specially created to verify the legal aspect of partnerships. Motta said: "At the start we will maintain control, but I repeat that in the end only Telebras, Embratel, and part of the ECT will remain public."

Army Minister Views Programs, S&T Activities

95SM0176A Rio de Janeiro SEGURANCA & DEFESA in Portuguese Sep 94 pp 10-16

[Interview with Minister of Army Zenildo Zoroastro de Lucena; place and date not given: "SEGURANCA & DEFESA Interviews Minister of Army"; introductory paragraph in italics as published]

[FBIS Translated Text] *The interview below strikes us as being more than timely because it enables us to review the Army's activities, problems, and plans from the viewpoint of its own minister. The Brazilian nation as a whole is now beginning—finally—to become aware of the importance of the subject of national defense, which until just recently was discussed only by the military. At the same time that we express to His Excellency General Zenildo Zoroastro de Lucena our most sincere thanks, we hope to be contributing to a better understanding of this subject, which is so important to the country.*

[SEGURANCA & DEFESA] What are the priorities in your administration?

[Zenildo] Based on the circumstances dictated by the current situation and with a view to ensuring continuity with the administration of our predecessors, these are the priority activities:

1. To continue to improve training and professional work, especially among the cadres—officers and NCO's—with a view to fulfilling our constitutional role.

2. To expand activities related to scientific-technological research and the growth of the defense equipment industry as part of a resolute effort to create the conditions for self-sufficiency in that sector.

3. To continue to improve the attention given to the needs of the military family and its civilian employees.

4. At the request of the Federal Government, to continue to engage in supplementary activities in support of the country's socioeconomic development without prejudice to our main activity.

[SEGURANCA & DEFESA] How do you view the Brazilian Army's current situation in terms of equipment?

[Zenildo] In terms of equipment, the limited budget funds appropriated to the Army over a period of several years have left it with an urgent need to replenish and modernize its materiel.

To the extent that funds are available and in accordance with a schedule of priorities, new materiel is being acquired, thus making it possible to increase the efficiency of many military organizations.

[SEGURANCA & DEFESA] Still in terms of equipment, what, in your opinion, is the Army's most urgent need?

[Zenildo] The urgent need is to update equipment for a sizable portion of the Brazilian Army in an effort to prevent a very pronounced technological lag from developing between us and the more advanced armies.

This will also make it possible to keep the officer and NCO cadres constantly up to date, thus ensuring their motivation to pursue a military career.

[SEGURANCA & DEFESA] In the short term, what is being done and what will be done to reequip the Army?

[Zenildo] In the context of reequipping the ground force, a number of steps are planned, and several others are already being taken.

Among the latter, we should mention establishment of the Army Aviation Brigade, which is already operating the 52 aircraft called for when it was being planned, and operation of the Electronic Warfare Training Center in Brasilia. To those we can add the expansion of the ministry's intelligence system and the conversion of the 9th Infantry Battalion (in Lorena, Sao Paulo) into a "light" unit—that is, with less manpower and lighter equipment but with a substantial increase in its ability to fight in various environments, both in the light of day and in conditions of poor visibility.

Among the steps being planned, I can mention in particular the acquisition of weapons and other equipment needed for converting about 30 other battalions (motorized, jungle, and paratoop battalions) into light infantry units.

The other arms—cavalry, artillery, engineers, and communications—are also scheduled to receive updated equipment, although to a lesser extent. In the case of the artillery, the plans call for reworking a number of 105mm and 108mm howitzers to increase their range.

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[SEGURANCA & DEFESA] What are the main goals of the FT2000 [Ground Force 2000] program?

[Zenildo] The main goals of the FT2000 program are the following:

1. To attempt to round out the existing structure of the ground force as regards the organization of the area military commands, military regions, Army divisions, brigades, and groups, especially in the priority strategic areas.

2. To continue the rational, modern, and progressive establishment of the Army's organizational structure in conformity with the Basic Army Organization and complete this work in the short term.

3. To establish an efficient intelligence system.

4. To continue establishing the organizational structure provided for the Army aviation component.

5. To continue establishing the organizational structure provided for the electronic warfare component.

[SEGURANCA & DEFESA] What is the objective of the FT2015 [Ground Force 2015] program?

[Zenildo] To provide the Army with the resources it needs to support the sovereign decisions of the Brazilian nation during the first few decades of the coming century, keeping in mind the scenarios in which the ground force will have to operate in such circumstances.

[SEGURANCA & DEFESA] Considering the current situation and future projections, when do you expect fixed-wing aircraft to be adopted by the Brazilian Army?

[Zenildo] In the present situation, the support provided by the Air Force fully meets the ground force's requirements. But the growing increase in those requirements, especially in the Amazon Region, is leading us to foresee the incorporation of heavy helicopters into the Army Aviation Brigade, and, in the more distant future, the adoption of fixed-wing aircraft, although we cannot predict when that will happen.

[SEGURANCA & DEFESA] What are your views on the question of a greater military presence in the Amazon Region?

[Zenildo] Unquestionably, the Amazon Region constitutes a geostrategic region of vital importance to Brazil.

In the current situation, in which multilateral questions are permeating international relations, with a particular emphasis in this case on preservation of the environment and the fight against the drug traffic, that importance stands out even more.

Moreover, the emergence of concepts being defended in the international arena—limited sovereignty, the duty to interfere, and so on—make it advisable to pay attention and assign priority to the Amazon Region.

The above-mentioned factors and, even more, the size of the territory, the border strip, the Amazon forest, and the area's vast potential in resources are presenting the Armed Forces, as the military expression of national power, with a range of growing concerns over the fulfillment of their constitutional mission in the Amazon Region, as evidenced in the search for increasingly appropriate levels of capability compatible with defense of our sovereignty and the integrity of the nation's heritage.

In that context, I would like to draw attention to actions in which the Army is engaged in the region and which underscore the above-mentioned concerns:

1. Intensive participation by the ground force in the government project known as Calha Norte.

2. The implementation in that region of measures which include the following, among others:

a) Conversion of the 1st Motorized Infantry Brigade, which previously had its headquarters in Petropolis, Rio de Janeiro, into the 1st Jungle Infantry Brigade and its transfer to Boa Vista, Roraima.

b) Establishment of the 16th Jungle Infantry Brigade in Tefe, Amazonas, a move made possible by transferring and converting the 16th Motorized Infantry Brigade, which until then had been stationed in Santo Angelo, Rio Grande do Sul.

c) The setting up of a helicopter detachment by the Army Aviation Brigade to operate in the Amazon Region. That detachment was recently upgraded to the status of a helicopter company.

[SEGURANCA & DEFESA] In terms of human resources, how do you assess the Army's current situation?

[Zenildo] Although we are authorized by law to have a strength of about 300,000 soldiers, we are keeping the total of men and women at less than 200,000. We are exchanging quantity for quality!

Our human resources are very good, especially our career officers and NCO's. Selection in the recruitment process (about 70,000 candidates for only 2,000 vacancies per year in the case of NCO training courses), the excellent level of teaching in our schools, training throughout one's career, and the system of promotions aimed at taking advantage of the most qualified personnel are giving the force a cadre of professionals capable of providing effective training and leadership for draftees and enabling it to fully accomplish its constitutional mission.

[SEGURANCA & DEFESA] In your opinion, what can and must be done to raise the level of professional proficiency in the Army?

[Zenildo] In order to have an increasingly competent and professional force, the Ministry of Army adopts and constantly attempts to improve measures that include the following:

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1. Judicious recruitment of personnel for the training schools and other military organizations to ensure a permanent upgrading of the profession.

2. Increased efficiency in the various training, specialization, and postgraduate courses and in higher studies.

3. The modernization of material resources for the purpose of keeping up with technological advances in the art of war and providing ever-increasing motivation for our men.

[SEGURANCA & DEFESA] What is the current situation in the Army as regards science and technology?

[Zenildo] The Army Science and Technology System (Sctex) makes it possible for the ground force to engage in scientific and technological activities aimed at meeting its special needs with respect to personnel and equipment. Those activities include:

1. Teaching and technical-scientific training for human resources at the middle and higher levels.

2. Research and development (R&D) in the field of materiel, with special emphasis on the following priority projects:

a) Antitank missile 1.2.

b) Antiaircraft missile 3.2.

c) 120mm mortar.

d) Electronic warfare tactical system.

e) Antitank weapon for small echelons.

f) Vehicle modernization.

g) Various radio sets.

3. Participation in the system for developing the Ground Force Military Doctrine.

4. Technical and scientific services.

5. Industrial promotion.

[SEGURANCA & DEFESA] What major benefits can the Army's activity in this field provide for the civilian sector?

[Zenildo] One important benefit of the Army's activity in the field of science and technology is the training of a critical mass of human resources and the advanced training of professionals through graduate, specialized, and postgraduate courses. For many years the Military Engineering Institute [IME] provided training and advanced training for engineers in various special fields, some of which were being offered in our country for the first time. Examples are aeronautical engineering, communications and electronics, automobile mechanics, and nuclear engineering. It should be pointed out that in recent decades, a great many of the people trained by the IME have been active in our country's civilian area, with highly beneficial effects on national development.

That activity has had significant results in the scientific and technological field in the form of students' theses, scientific works, and laboratory experiments, many of which have been widely disseminated in the scientific world.

Another important benefit is the encouragement to obtain and refine advanced technologies as a result of the many projects that are developed in strategic sectors and then have a strong impact in civilian circles.

Added to that is the rise in exports of military and other equipment—for example, weapons whose use is permitted and which, as a result of activities in the fields of metrology, standardization, and certification, guarantee the quality of the equipment produced, with the additional benefit of safety for the civilian consumer using such products.

[SEGURANCA & DEFESA] What is your assessment of cooperation between the Army and domestic industry?

[Zenildo] The international situation resulting from the end of the Cold War, combined with the significant financial difficulties being experienced in our current domestic situation, has been causing a certain slowdown in that cooperation.

Despite those adverse factors, the Army's relations with domestic industry are continuing at a satisfactory level, with the closest cooperation being maintained with industrial sectors linked to the development of equipment needed for the various projects underway.

[SEGURANCA & DEFESA] The domestic defense industry is currently a pale shadow of what it was a short time ago. How do you view the need to maintain a strong and capable industrial base in the defense sector?

[Zenildo] The existence of a strong and capable industrial base in the field of military equipment is a requirement arising from our need to pursue self-sufficiency in the essential components of that equipment. Another requirement—clear to anyone devoting himself to the study of national defense—is the need to preserve and update technological gains already achieved in the sector in question.

The tight financial situation experienced by the Army over the past several years has prevented it from placing sufficient orders with domestic industry to keep the production lines of interest to it in steady operation and from financing, as would be desirable, research and development in connection with projects geared to the military area.

[SEGURANCA & DEFESA] What can the Army do in that connection?

[Zenildo] The Army's strategy is to pursue four means of keeping domestic industry viable and supporting self-sufficiency:

1. The capitalization of [illegible]s.

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2. Technology transfer.

3. The opening-up of markets.

4. Political support in the international arena.

Those measures have been directed at relevant foreign firms that are internationally known and interested in joining with domestic firms (in joint ventures).

[SEGURANCA & DEFESA] Owing to an erroneous interpretation of the new world situation, many people have been talking about simply abolishing the Armed Forces in our country. Don't you feel that the military should undertake a public awareness campaign to ensure that such ideas do not find support?

[Zenildo] The cooling of the ideological conflict, the steps already taken in the direction of regional integration in South America, and the socioeconomic crisis being experienced by many nations on the continent have been leading a few minority sectors in our society, as a result of superficial analyses and interpretations, to question the need for the Brazilian Armed Forces and their mission. Reinforcing those interpretations are theories supported abroad, one example being the idea that self-defense forces would be an improvement over the Armed Forces. In the specific case of the Army, it is necessary for us to reflect not only on its constitutional missions in defense of the fatherland and as guarantor of the constitutional powers, law, and order, which remain topical and necessary, but also on the force's historical mission for over a century in connection with the strategy of a national presence.

The Brazilian soldier, present and active in all parts of the country, is the guarantor of territorial integrity and of national unity and cohesion.

Unquestionably, it is a matter of current and ever-growing concern to this ministry, through discussions and debates in the various forums, to convey and defend ideas relative to the mission of the Armed Forces in dialogue with the different segments of society, beginning with the ruling classes and with an emphasis on the National Congress.

[SEGURANCA & DEFESA] In your opinion, what should be done to give the Brazilian public a better understanding of the needs of national defense?

[Zenildo] I would like to announce that studies of the needs of national defense on the basis of the constitutional mission of the Armed Forces have been leading the Army's top administration to make a judicious selection of the universes in Brazilian society with which it should seek debate on this subject.

This has been thoroughly discussed, in accordance with planning established by the Army General Staff, with representatives of the National Congress, the media, universities, the Ministry of Foreign Affairs, businessmen, and so on. And all for the purpose of providing the different segments of society with correct and up-to-date notions of the role of the military institutions with respect to the nation.

[SEGURANCA & DEFESA] To achieve that objective, would it not be desirable for civilians and military to draw closer together? What should be done to bring that about?

[Zenildo] In our opinion, the exchange of ideas through lectures, discussions, and debates in the form stated above constitutes one way of bringing civilians and military closer together on matters of much more interest to the Brazilian nation than to its Armed Forces alone.

In addition, we have been emphasizing that at all levels and in all areas of the national territory, especially those where our military organizations have their headquarters, there should be ever-increasing integration with the community, the main purpose being to contribute to the above-mentioned rapprochement.

[SEGURANCA & DEFESA] How do you assess the current activity of the Armed Forces in general when it comes to subsidiary missions? Might that work be detrimental to their main mission?

[Zenildo] Throughout their history, the Army and its brother services have sought to provide maximum support for the nation's socioeconomic development without neglecting their constitutional duties and to the extent allowed by the resources available to them.

In the present situation, in which social needs of all kinds are increasing in our country, studies and proposals have been presented for the purpose of cooperating with the Federal Government in meeting the needs of the most disadvantaged sectors and communities by planning and carrying out activities which we call supplementary.

Among those activities, we can mention:

1. The preservation, restoration, and maintenance of roads, especially in the Amazon Region and the Northeast, by the military construction engineers organizations under agreements with the DNER [National Highway Department].

2. The construction of railroads.

3. A reduction of the housing deficit in the Amazon Region and the Center-West through the construction of low-cost housing under agreements with the Ministry of Social Welfare and municipal governments.

4. Cooperation with the health and education sectors based on the structures of Army units headquartered in needy communities.

5. As a point of support in the fight against poverty, an increase in the number of reserve training centers among the poorest sectors of the population and the consequent use of the infrastructure in personnel and equipment

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available in those centers, with the support of local (state and municipal) governments and the Ministry of Social Welfare.

In response to a recent request by the Federal Government, the Armed Forces and the Army in particular have decided to step up their social action. Guidelines for the Army's participation in that activity are as follows:

1. Nothing must be done to the detriment of the force's training and equipment, because the force must be able to achieve its constitutional purpose.

2. The Federal Government must provide the Army with additional funds for use in implementing social action through the infrastructure of our military organizations.

[SEGURANCA & DEFESA] There has been a lot of talk about establishing the Ministry of Defense. As a professional and experienced military man, do you believe that a unified ministry could have beneficial results for the Armed Forces?

[Zenildo] Undeniable factors related to Brazil's geopolitical importance in the international arena point to the need to harmonize the strategic formulations of the various components of military power through combined planning and a harmonization of doctrine. That may be facilitated by establishing the Ministry of Defense.

The Army's thinking on that issue is proceeding cautiously. It takes the country's political-institutional, cultural, and economic-financial situations into account and, with a view to achieving beneficial results for the Armed Forces, is based on the following basic premises:

1. The identification and gradual expansion of areas in which the forces can be integrated.

2. The indispensable existence of a national defense policy capable of laying the foundation for and legitimizing the Ministry of Defense.

3. Gradual progress in implementing the process so as to ensure a gradual and risk-free reconciliation of the standards, procedures, and other features peculiar to each of the individual forces.

4. Adoption of a national solution, not the mere importation of models used by other countries.

It is understood, therefore, that if the preconditions dictated by the country's political-strategic stature and the above-mentioned basic premises are respected, the gradual introduction of a unified ministry for the individual forces will have beneficial results in the following areas:

1. The rational use of budget funds made available for national defense.

2. Scientific and technological research.

3. The refinement of Brazilian military doctrine.

4. Strategic and operational planning, as well as other areas.

[SEGURANCA & DEFESA] We thank you for your courtesy, and we will end this interview here, leaving it to you to decide whether you want to make any additional statement.

[Zenildo] I am grateful for the opportunity given me by the magazine SEGURANCA & DEFESA to express a few of the Ministry of Army's points of view regarding matters of interest to it.

As a career soldier with nearly half a century of professional experience in various parts of the country, I have learned to have confidence in our people and in the original and conciliatory solutions they suggest for the problems they must face.

In my opinion, the crisis we are currently experiencing is temporary and will be overcome by our capacity for work, creativity, and practical intelligence.

The Army is already preparing for a future period of national prosperity by planning the modernization of its military organizations and training its human resources for the new times, which will undoubtedly be better than the days we are living in. I believe that all the other segments of society must do the same thing.

Governors View Job Stability, Privatization

95SM0187A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22, 23 Jan 95, pp A-6, A-12

[Interview with three state governors by unnamed O ESTADO journalists, date and place not given]

[FBIS Translated Text] *Preserving civil service tenure is no longer dogma, not even for the PT. The topic will probably be dealt with in the constitutional revision as one of the steps toward ensuring government efficiency, as urged by the governors of the Federal District (Cristovam Buarque, PT [Workers Party]), Rio de Janeiro (Marcello Alencar, PSDB [Brazilian Social Democracy Party]), and Minas Gerais (Eduardo Azeredo, PSDB), in the first of an O ESTADO-sponsored series of debates with the new governors. "The PT is not in favor of phantom employees," Buarque argued. "The way things are today, what we have is not tenure, but job 'latifundio.'"*

A professor, a computer science engineer, and a professional politician—all three have compound names, as do the states they represent. And they agree that today, more than confronting the civil servant job stability issue, what the country should really do is ensure economic stability. "Monetary stability is a sacred cow, but it is not enough," Buarque argued. "But it was the best thing for those who were doing badly," argued Azeredo. "But we have to say what our objective is," Alencar added.

Job Security

[O ESTADO] In the tradition of Brazilian politics, a governor who takes over from an enemy receives an

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unpleasant legacy, but when he succeeds an ally, he receives a state that is in better shape. How did you find your respective houses, in terms of public servants?

[Cristovam Buarque] Some 20 percent of Federal District employees were illegally hired by agreement [*convenio*]. We have always said that the task of a progressive government, such as a PT government, is to make the public servant a servant of the public. We have always told those 10,800 people hired under agreements in the previous administration that if they work, they will not be dismissed. Otherwise they will be. And we are firing people.

[O ESTADO] The PT was always in favor of tenure...

[Cristovam Buarque] But not in favor of phantom employees. Incidentally, I never explicitly defended tenure, however, those who do defend it have always said that tenure does not mean blocking dismissals; tenure means dismissing only those who are not working. And it does not allow an incoming governor to fire his predecessor's relatives. I am not going to dismiss anyone from the previous administration who is producing, who is competent. Relatives of Valmir Campello, my predecessor, are still working there.

[O ESTADO] How many employees do you have, and how many phantoms?

[Cristovam Buarque] In all, 110,000. There is no way to know how many phantoms there are. We are taking a census now.

[O ESTADO] And how many employees are you going to keep?

[Cristovam Buarque] We do not know yet. They asked me on the eve of my inauguration what the next day's big surprise would be. I said the big surprise would be that there will be no surprises. You don't need to use shock treatments. The man who administered the most recent shock treatment was Fernando Collor de Mello, and he destroyed the State. Administrative reform will come about gradually, slowly. We are not creating new departments, nor are we abolishing any. We will do so, but in good time.

[O ESTADO] What is the government employee situation in Rio?

[Marcello Alencar] We have about 360,000 and are trying to identify the number of phantoms, but it is not easy. The secretary of health has 538 employees whom he cannot find. I authorized the Department of Education to fire 5,000 people. Establishing a single legal regime to cover public employees seems like a big deal, but it was not. Our hands were tied. The public servants earned a lot but did little work. That is our challenge—to build the institutional framework, rather than the physical one. Imagine if in four years I could get people to respect the Rio police force! That would be a fantastic institutional achievement, because the drama in Rio is the lack of credibility of the police as an institution.

[O ESTADO] The problem is, the institution is really bad.

[Marcello Alencar] And why is it so bad? Are they well paid but still bad? No, they are poorly paid.

[O ESTADO] If they were better paid, would they improve?

[Marcello Alencar] I think so.

[O ESTADO] And what is the government employee situation in Minas?

[Eduardo Azeredo] Minas has 430,000 civil servants, counting both the active and the inactive. That figure is basically the same as it was early in the Tancredo government, 12 years ago. It is reasonable. They absorb 65 percent of our revenue receipts. That is the most we can afford. A census was taken by the Helio Garcia government, but only now are the figures being cross-checked. We have already found that 17,700 of the 430,000 employees did not re-register. We are suspending their pay in January, but it is too soon to say they are phantoms. The real problem are the people who work only six hours a day—comparing their salaries with the ones who work eight hours. If they all worked eight hours, we would have more employees than we need. And the salaries would be better.

[O ESTADO] Are you going to suggest a change in the employment contracts?

[Eduardo Azeredo] Gradually. The administration is not in a position right now to put all of them on an eight-hour basis, which would increase the payroll by 33 percent. The civil servant issue in Minas is one of management, organization. For the positions that are defined in law, we are going to prepare a new schedule and suggest to the legislative assembly that it adjust the duties of executive positions, those with better-protected incomes. As for the employees as a whole, we will try to restore the purchasing power of their salaries.

[O ESTADO] And what about tenure, are you in favor of it?

[Eduardo Azeredo] Getting rid of people is not the problem. The problem is that because they have tenure, the workers are less inclined to work hard. They are harder to manage, since they know they will not be punished, will not lose their jobs. There is no use saying that all you need to do is prosecute them, because it doesn't work. Tenure, the way it is today, is not right. I want there to be a possibility that a poor employee will lose his job when his performance is unsatisfactory.

[Cristovam Buarque] What we have today is not tenure, but job *latifundio*.

[Eduardo Azeredo] Yes, I think that's it.

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[Cristovam Buarque] People feel they own their jobs. That has to stop. The job belongs to the people, the ones the servant of the public is supposed to serve. So we have to abolish this privilege of "owning" the job, but without creating the privilege for a governor to fire whomever he wants to.

[O ESTADO] How can that be done?

[Cristovam Buarque] By continuing evaluations. I suggested, when I discussed this problem with the bus drivers, that we set up an evaluation system. At the end of each trip, every passenger would rate the driver. If he gets a poor rating, that means he is not doing his job. Then you can discuss whether or not to give him another chance. But if he is not doing his job well, he has to leave.

[O ESTADO] How can you solve that without fiddling with the tenure issue?

[Cristovam Buarque] You have to intervene by evaluations and by changing the rules. I am not against change, I am just a conservative who does not want to change the Constitution.

[O ESTADO] But the PT opposes doing anything about tenure.

[Cristovam Buarque] The PT is against fiddling with it the way some people want to, by abolishing the worker's right to be secure in his job if he is doing it well.

[O ESTADO] What is the other hypothesis?

[Eduardo Azeredo] I am in favor of guarantees for the worker but not, as the governor said, *latifundio*. Tenure has to be upheld in the courts.

[Cristovam Buarque] Well, that's another matter.

[Eduardo Azeredo] There are some cases where job security is needed.

[Cristovam Buarque] Well, there you have to have evaluation, too. Lifetime appointments are something that needs review. For example, I am a professor, I was rector of a university, and I always fought against the tenure that allowed a professor to stay on without teaching classes the way he is supposed to. When I was a student, I went on strike against lifetime professorships. How can I defend lifetime appointments now?

[O ESTADO] As rector, did you ever fire anyone?

[Cristovam Buarque] I fired people who then went to court and were readmitted.

[Eduardo Azeredo] People are somewhat mistaken if they think that as soon as tenure is abolished, everyone will be fired. I have been a director of state enterprises, such as Serpro [Federal Data Processing Service], where there was no job security. Even so, there were no mass dismissals.

[Cristovam Buarque] How do you fire people? I think we have to make sure the evaluation process moves quickly. Transparency is key, letting the public evaluate the employee. Tenure is not what is bad; it is the system that is not working well. I agree with Azeredo regarding efficiency, but it should apply to everyone. The public should even evaluate the governor.

[O ESTADO] Do you agree that governors should engage in politics?

[Cristovam Buarque] I am against politicking by governors. We have a President of the Republic who will serve until 1999, and it is this president who should represent the national government vis-a-vis Congress. Governors do not need to practice parallel politics. What we can do in groups is to help develop the agenda of national topics and, sometimes, push the administration toward certain subjects, especially because the president can get bogged down in day-to-day matters. We have to have so-called "trans-crisis projects."

[O ESTADO] Does this require constitutional reform?

[Cristovam Buarque] No, that is just a means. I want the ends, such as having the world's best elementary schools ten years from now. That is a goal. And we are not formulating these goals clearly. And it is in the context of goals that the constitutional reform must be discussed. That's not the way it is today; we are talking about reform without debating where we are going. It is too little: they are going to discuss a group of laws, but not talk about where they want the laws to take this country. The governors have an obligation to do that.

[Eduardo Azeredo] Many of the governors have been mayors—like myself, Marcello, Covas, and Jaime Lerner. This means that we have a vision of how such integrated action might work, because we used to have a mayors' front *frente* that was actually an exchange of ideas. It does not matter what you call it, but we have to arrange for that exchange of opinions, especially because some of Brazil's problems require decisions at the state level. We had one of those this week—the public utilities law, which had been stalled in the Senate and was decided on at a final meeting attended by some of the states, the ones responsible for most of the electricity generation in this country: Sao Paulo, Minas Gerais, Parana, and Rio Grande do Sul. Now that is integrated action. We are at a point in this country where there is no guarantee of economic stability. So we have to guarantee that the *Real* Plan will be permanent. To do that, it is important that the state governments are consulted and that they can also make their contributions.

[Marcello Alencar] It makes no sense for us to organize ourselves politically. It would be so hard for us to be great conspirators. There are 26 states.

[Cristovam Buarque] They always forget about the Federal District... (laughter).

[Marcello Alencar] It is impossible to imagine we could build a political front among ourselves. But I think a forum for opinions already exists.

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[O ESTADO] The question of tax reform, for example...the governors are going to sit down and discuss it...

[Eduardo Azeredo] I agree with Cristovam that we have to have plans and goals for this country. But there is no use having goals if we do not keep economic stability in mind. That is why action needs to be taken right away, even before we plan for the future. Measures such as tax reform.

[O ESTADO] What would that tax reform be like?

[Eduardo Azeredo] We have to reduce the number of taxes. The IPMF [Temporary Tax on Financial Transactions] proved to be a valid tax, an efficient tax for Brazil, where the culture of issuing official invoices *notas fiscais* to the consumer does not exist. It is an alternative to expanding the tax base. Another reform is to cut the number of taxes. The bill sponsored by Luiz Roberto Ponte (PMDB [Brazilian Democratic Movement Party] Rio Grande do Sul) is a good solution, a good basis for making changes. We have to look at the distribution question, how it affects states and cities; we need to define the responsibilities of each of them. The solution probably lies in decentralization and distribution of responsibilities.

[Cristovam Buarque] May I suggest why everyone is at odds on tax reform? Because we are talking about how to carry out a fiscal reform, but not why. When I talk about having the world's best elementary schools, it means hiring 500,000 teachers and raising the average salary to $500.00. That means we would need $10 billion to pay teachers. We should forbid the government to print money that has nothing behind it. The purpose of fiscal reform is to give the State money to pay the teachers. But today we are talking about the reform as a means, not as an end. We have to invert this.

Privatization

[O ESTADO] What do we need in order to define the administration's goals?

[Cristovam Buarque] The goal is a conception of the nation. Juscelino [Kubitschek] made changes in the fiscal policy, but he knew why he was doing it—to industrialize the country, to make it urban. He had a plan, a destination. To carry out fiscal reform just to have everything stay as it is, well, you can do it, but that's not what I'm talking about. I want to create jobs, so I need to cut the number of taxes, end the bureaucracy that keeps companies from getting organized. If we were to abolish a lot of taxes and reduce the bureaucracy but without creating jobs, that would be good, but it's not what I'm talking about. Only the conservatives oppose constitutional reform. I am not a conservative. But I want to discuss why and how. I want to change the Constitution in order to change the country. Of course we need to privatize a lot of companies. But what kind of Brazil will we have after privatization? If it is the same as what we have, except that some state enterprises are in private hands, that's not what I'm talking about. And today we are conducting privatization without changing this country.

[O ESTADO] Perhaps the IPMF was a success because people knew what the money was going for...

[Cristovam Buarque] But it was to cover the deficit. Covering a deficit is necessary, but it is not an objective. Incidentally, that's just what Miguel Arraes told me: "We have to talk about what to do with the monetary stability." Monetary stability is a sacred cow, but it is not enough. Stability that enables those who are doing well to keep doing well and those who are doing badly to keep doing badly is not a plan for this country.

[Eduardo Azeredo] But stability has already proved to be better for those who were doing badly.

[Cristovam Buarque] However, it did not change the country. Salazar maintained monetary stability for 35 years, but he killed his country [Portugal]. Argentina has stability, and it is dying. I don't want to end stability; I want to tie it to the building of this country. That's what is missing.

[Eduardo Azeredo] But some things are clear. If you want to privatize some things to lift a burden from the State, if you want to invest more in education and health, which are basic government functions...

[Cristovam Buarque] Excuse me, but we have been privatizing for five years now and not one additional *real* has gone for education. The education budget has shrunk. It's just talk. Where did the money from the privatizations go? I don't know, except that we tore up rotten currency. Azeredo, you defended that, where did the money go?

[Eduardo Azeredo] Careful now, I am not a defender of privatization as a whole.

[O ESTADO] What kind of privatization should we have?

[Marcello Alencar] The rotten currency game occurred because the [state] governments were irresponsible when they contracted debts. The obligations snowballed. The privatization process was guided by the idea that we had to pay off the debt. I'm with you, Buarque, I would not have done that. Privatization should favor social sectors. Those economists thought it was essential to pay off all the state's liabilities, and that was the tool they used.

[Eduardo Azeredo] Better conditions for health and education services may have been created indirectly.

[Cristovam Buarque] If we add up all the debts this country has, the assets of the state enterprises look awfully tiny. The assets of Petrobras [Brazilian Petroleum Corporation] would not pay off even 10 percent of the debt. Privatization was done for other reasons, to make the companies more efficient, etc.

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[Eduardo Azeredo] I was going to say that. Look at CSN [National Iron and Steel Company], Acominas [Minas Gerais Steel Company], and Usiminas [Minas Gerais Iron & Steel Mills, Inc.]. They all became more efficient and the government didn't have to contribute any more money.

[Cristovam Buarque] But I am not talking about privatizing either one. We were talking about ending civil servant job security because of the high cost of the government payroll. Employees we burn, but not rotten currency. Rotten currency we sell state enterprises to pay for. That is why I want to discuss the ends, and then talk about the means.

[Marcello Alencar] Society does not work that way. There is no incompatibility in deciding on the goals before undertaking fiscal reform. Opening a discussion about fiscal reform obliges men of your intelligence and experience to bring arguments to the debate. But the delay is preventing continuation of the *Real* Plan. To the worker, the end of inflation is a benefit.

[Cristovam Buarque] That's true.

[Marcello Alencar] An inflation-oriented culture developed. To end that is a huge transformation.

[Cristovam Buarque] I agree.

[Marcello Alencar] God help us if this plan is not successful, because it is the worker who feels the effects. The proof is that the elections were decided on the basis of the plan. Wouldn't you agree?

[Cristovam Buarque] I agree.

[Marcello Alencar] You are right, we need to intensify the discussion of goals, and tell people the fiscal reform is not a panacea. It has to serve the purposes of the distribution of income, education...The experts are talking only about the technical aspects and we, as politicians, should not go along with that. The government that is in power has ideas on the subject. Even the Budget suggests that the government wants to do something in the direction of social needs.

Civil Servant Pay Scales

In contrast with what Finance Minister Pedro Malan preaches, the governors of the Federal District (Cristovam Buarque, PT), Minas Gerais (Eduardo Azeredo), and Rio de Janeiro (Marcello Alencar)—the last two both from the PSDB, do not think that paying their civil servants well will eliminate corruption in the bureaucracy. It would be possible, they argue, to offer better pay so that the State could attract effective professionals and compete on the market, as they demonstrated during the debate sponsored by O ESTADO. Buarque claims that it is not just salaries that count; governors and state secretaries, for example, are fulfilling a political mission that attracts "those who want change and are not motivated by salaries alone." Azeredo and Marcello, for their part, want to pay people well so they can hire good people and improve state administration.

[O ESTADO] What is it that unites you three, and what divides you—aside from the fact you belong to different political parties?

[Marcello Alencar] We have much more in common. I have followed the performance of Governor Buarque and observed that he assumes leadership responsibilities. He does not view the federal government's plans with hostility, but with a desire to make a positive contribution without any ulterior motives.

[Cristovam Buarque] I will tell you what I heard from Fernando Lyra, a Pernambuco deputy. Fernando thinks that what unites all the governors—with the possible exception of Arraes, who is more myth than governor—is a huge, enormous, and common ambiguity. He believes all the governors were elected because they are politically ambiguous. What does he mean by that? No radical got elected, no leader who claimed to have all the answers and portrayed himself as savior got elected.

[O ESTADO] And what divides you?

[Cristovam Buarque] You may get elected because you are ambiguous, but you cannot be a good ambiguous governor. The people voted for ambiguous men because the country has no sense of direction. From now on, those who start making proposals will step forward, and then our differences will be revealed.

[Eduardo Azeredo] I agree with the governor's analysis, but I would change the word "ambiguity" to "rationality."

[O ESTADO] But even someone on the Right can be rational.

[Eduardo Azeredo] Yes, but in this case it was an explicit rationality.

[Marcello Alencar] A man from the Right can be a rational guy.

[Cristovam Buarque] You can combine ambiguity with moderation, but not rationality.

[Eduardo Azeredo] I believe "ambiguous" conveys the meaning of always having two positions. I do not have two positions. My upset in Minas had to do with the fact that I did not make promises.

[Cristovam Buarque] Not promising things—as I did not do, either—is a little bit of ambiguity. A leader lies, but he promises. Now no serious person makes promises, because this country is so lost that any proposal, except a proposal not to promise, is unrealistic.

[O ESTADO] How do you see the issue of congressional salaries?

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[Cristovam Buarque] To me, it was not a good step. First, it conveys the idea of social apartheid in Brasil. The deputies here earn more than an American deputy, because in the U.S. they don't have the "13th paycheck." For $1,000 [a month] I cannot attract a good advisor. And $1,000 a month is five or six times the per capita income in Brazil. In South Africa, the deputies represented the whites and their salaries were comparable to the income earned by whites. The problem with Brazil is that the deputies are the "whites," they earn "white" salaries, but they say they represent 150 million people. The second thing is insensitivity: at a time when they are giving the civil servants a 22.5 percent pay raise, they gave themselves a raise of over 100 percent.

[O ESTADO] But that way they raised your salary, too...

[Cristovam Buarque] I know that, but I think it is absurd. First, they wanted to eliminate the connections between the governors' salaries and those of the state and federal deputies. Our states are not equal. A deputy has to be well paid, but not that well paid. I find it awkward to accept the readjustment, but I think my advisors should get a raise, because I cannot attract anyone at R$500 and R$900 a month. Governors and state secretaries are not just technical functions, but political ones. These are jobs for people who want to change things, and salary cannot be the motivation. And so I disagree when people say you have to pay people well in order to end corruption. It does not stop. If the crook earns $10,000 a month he will still be corrupt; if he earns $2,000 he will not accept the job, but he won't become crooked. The salary is important to end small-scale corruption, those guys who can be bought for $50 when that represents a quarter of what he earns.

[Eduardo Azeredo] We ought not have deputies who are all wealthy or who represent corporatist interests. As Governor Buarque said, there is a big difference between the two Brazils. But that is true in all organizations. Why should public service be an exception? We cannot put up with a loss of efficiency in public service. The political timing of this pay raise was very bad. But any Brazilian company pays higher salaries than the government does. I want effective people in the Executive Branch. To be effective, you have to be able to compete on the market; to compete on the market, you simply cannot offer one-fifth of what the market pays.

[Cristovam Buarque] But as well-paid as the public sector is in the United States, the private sector pays even more. Still, they manage to attract people.

[Eduardo Azeredo] But not as much as in Brazil.

[Cristovam Buarque] Because there is a good distribution of income in the United States, but not here. The advisors, the technical jobs, are extremely poorly paid, depressed in comparison with the market. But you must not compare eminently political positions with positions in the job market. Perhaps that is where we disagree. There is something more—or less if you like—than the market involved when you are deciding to be a governor, deputy, or state secretary. You do not assess the State in the same way as you evaluate private enterprise. The State does not go bankrupt, and it offers privileges.

[O ESTADO] So corruption has nothing to do with the pay scale?

[Cristovam Buarque] At the bottom, yes. People at the very high levels are bought off for more money than any salary could compensate for.

[Marcello Alencar] The direct cause of corruption is poor pay, especially at the lower echelons.

Governors Discuss Reforms, Bank Interventions

95SM0187B Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Jan 95, pp A-14, A-16, A-17

[Interview with three state governors by unnamed O ESTADO journalists, date and place not given]

[FBIS Translated Text] *The future of the Fernando Henrique Cardoso administration is linked directly to constitutional reform and the adjustments necessary to ensure long-term stability of Brazil's currency. This was the consensus expressed by the governors of Rio Grande do Sul (Antonio Britto), Ceara (Tasso Jereissati), and Parana (Jaime Lerner) during a debate sponsored by O ESTADO.*

All three—not coincidentally listed among the eventual pre-candidates on the PMDB [Brazilian Democratic Movement Party], PSDB [Brazilian Social Democracy Party], and PDT [Democratic Labor Party] slates to succeed Fernando Henrique in 1998—asked that reforms be given urgent attention. And they believe that the losses the administration suffered in Congress this month on the issue of raising the minimum wage to R$100 a month and the salary increases voted by the legislators, who gave themselves 15 monthly paychecks a year, should be blamed more on the fact that half the legislators are leaving office than on failure to do the needed political spadework.

Reforms

[O ESTADO] Everyone says this crop of governors is the best the country has ever had. Teamed with an intellectual president, are they any guarantee that Brazil is going to get better?

[Antonio Britto] In Rio Grande do Sul, we do not celebrate the harvest until it has become wine.

[Jaime Lerner] What is happening in Brazil is a reflection of what is happening in the rest of the world. Last year I attended a United Nations conference on population at which all four currents of world political thought were represented: the conservatives, the liberals, the Christian democrats and socialists, and the social democrats. The meeting lasted one day and out of it came a single text that incorporated the thoughts of all those

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who attended. Our party cannot achieve that even in a month, sometimes. But we have to do it.

[Tasso Jereissati] There is also an historical phenomenon. Brazil achieved a period of extraordinary economic growth until the end of the 1970's. That growth was based on a national developmentalist model that featured the State as investor and inducer, and had industrial development through import substitution as its backbone. So you have a whole generation of politicians who were brought up in that culture. But that model has been exhausted and the world has changed. So with respect to the current governors, as I have often said in conversations with Britto and Lerner, these are the men in each party who have adapted to the new vision in this country and in the world.

[O ESTADO] And what about the President Fernando Henrique Cardoso administration, do its difficulties in this first month in Congress worry you?

[Tasso Jereissati] There is a crop of governors who were sworn in on 1 January and this group has a president who was inaugurated on 1 January, but you have a Congress that has not yet been sworn in. With half the Congress leaving office, the new senators and deputies are contemporaries of the new crop of state chief executives and will come in with a new attitude. What happened this month should not be seen as an example, because it came from the old Congress, which is not committed to change.

[Antonio Britto] Fernando Henrique has one trait that no Brazilian president has ever had: he was not elected—forgive me, PSDB—by a party or a group of parties. He was elected by a sentiment: the feeling in the minds of the public that inflation has to be defeated and that he, starting with President Itamar, had opened the way for this. His election was so fantastic that he campaigned—rather, he pretended he was campaigning. Because as July turned into August, the public decided at their dining room tables that he had to be president. This president is the freest president in the recent history of Brazil.

[O ESTADO] So free that he can veto the R$100 minimum wage?

[Antonio Britto] When I left the Cabinet *(as social security minister)*, 13.5 million Brazilians were earning minimum wage. Of these, 11 million or so were getting their checks from the Social Security system. So the problem with the minimum wage in Brazil is a social security problem. Why don't we do something constructive, why don't we stop this foolishness of having to debate the increase in the minimum wage and the social security deficit every six months, and just sit down and pass Social Security reform right away?

[O ESTADO] You think it would be easy to pass a measure ending retirement based on length of service?

[Antonio Britto] If we enacted a reform of the Social Security system and told the public that this indeed is the road to a vote on the minimum wage that will not be vetoed, I doubt there is anyone in this country who would not stand and applaud.

[Jaime Lerner] This country has begun to realize the importance of not having two different currencies—one for the more prosperous and another for the poorest. As inflation is curbed, you begin to have a currency that is for everyone. The same thing applies to retirement. Once everyone is convinced that those high pensions can no longer coexist with this pension that barely ensures even minimal survival, then you will begin to reform the whole social security process. But it cannot go on as it is.

[O ESTADO] What do you expect of the federal government?

[Tasso Jereissati] Our biggest expectation is that it fulfills the mandate the people gave it on the basis of its campaign platform. And what was that? Currency stability. I agree with Britto: Fernando Henrique was elected by the *Real* Plan, by the stabilization of the currency, by this country's poorest residents, because he was the one who really believed in and gained from the *Real* Plan. Once you have currency stability, which requires the [fiscal] adjustment, the rest will follow naturally.

[Jaime Lerner] If I could use just one word to translate what the people want, I would say "respect." The people need to be respected. If the administration can respond to people's hopes and respect the public in its day-to-day actions, that will be enough.

[Antonio Britto] These past several years seem a little like the story of the guy who was really happy because he won 28 percent of nothing, since the other guy won 14 percent of nothing and the third guy won 12 percent of nothing. The history of the past several years is that the guy argues and fights and finally gets an appropriation in the Budget. The Budget does not exist, the money does not exist, and we go on into the next year. Nothing could be better for the governors than the same thing that is best for this country. By this I mean putting the economy in order, reducing the inflation rate, consolidating the *real*. This country is indexed to the *real*, which is indexed to constitutional reform. And constitutional reform is indexed to tax reform. The social security system tightens the belt a little, then a little more, and gets along. There is not much to negotiate on the economic question, the legislators just have to vote. The administration must act quickly to submit a reform model to this country. If inflation is being countered and there is constitutional reform, each one of us, in our own states, will be in good shape. But this is the most important thing: traveling to Brasilia to make demands is going to become serious business again, because there will be something to make demands about. Right now, it's like talking about land on the moon: "Can you give me a tract of land on the moon? No, I'll give you two."

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Investments

Rio Grande do Sul, Parana, and Ceara have something in common: they are not, in the opinion of their governors (Antonio Britto, PMDB; Jaime Lerner, PDT, and Tasso Jereissati, PSDB) states that are in financial straits. During two hours of exchanges of opinions and information at a gathering sponsored by O ESTADO, the three identified their states' problems: Rio Grande do Sul has to meet the challenge of improving public service; Parana must turn its attention to the migrant population in its rural areas; and Ceara is looking for funds to alleviate the misery in which its people live and to meet health and education needs. The challenge, they agree, is to attract new investment.

[O ESTADO] What is the situation in each of your states in terms of public finance and the civil service?

[Jaime Lerner] From the financial standpoint, neither Parana nor its state bank are in trouble. The problem is that whereas 65 percent of revenues used to be committed to payroll expense, in February this will jump to 75 or 80 percent.

[O ESTADO] How many employees does the state have? Any phantom employees?

[Jaime Lerner] There are 190,000—or 230,000 counting the inactive ones. As regards phantoms, we are taking a census of the civil service. Parana is a wealthy state now. If I say Parana is having trouble, Tasso will hit me! Given our potential, we should not have the unemployment rate we have. Today almost half the people are clamoring for jobs.

[O ESTADO] How many unemployed are there?

[Jaime Lerner] It is hard to say, because these are regions that are closely tied to agriculture. You have the problem of the itinerant farm hands, the movement of people here and there, lots of migrants. A state cannot endure this tension of six months of harvest followed by six months of unemployment. Parana needs a 12-month economy if it is going to attract investment. The unemployment rate is high and the deterioration of the health care system is serious—so serious that we have areas in the northeast and the pioneer north of our state where the infant mortality rate exceeds 100 per 1,000 births.

[O ESTADO] Is that the fault of previous administrations?

[Jaime Lerner] I am not the kind of public official who keeps trying to find scapegoats. I do think that in the past eight years there was a lack of strategic vision for exploiting the potential of Parana.

[O ESTADO] What is the situation in Rio Grande do Sul?

[Antonio Britto] It is not fair to blame a governor for the problems in the public sector. There is a chronic situation in Rio Grande do Sul—one that has been repeating itself under the previous governors—in which the state has had to live with the deterioration of the government machinery. A certain paralysis in business activity that exacerbated the difficulties of the public sector and was itself exacerbated by the difficulties in the public sector. It is truly the end of a cycle.

[O ESTADO] Will you be the start of a new cycle?

[Antonio Britto] That last man who believed in that was Collor. The important thing is figuring out whether the people of Rio Grande do Sul will consent to a change in the public sector. The state's economy, except for three or four regions, is doing well. The prospects under Mercosur are fantastic. It's just that nothing in Rio Grande that depends on the public sector gets a favorable response. That's the challenge. If the public sector had the courage to do its part, to revisit concepts, give up certain attitudes, do things in partnership with private enterprise, we would have a wonderful road ahead of us.

[O ESTADO] Rio Grande do Sul is now seen as one of the most heavily-indebted states. Would you agree with that assessment?

[Antonio Britto] The burden of the payroll obligations plus finance costs sentenced Rio Grande to forego almost all investment in the past eight years. Not only did we not have any new conditions to offer, especially to those who want to pursue production activities, but we were losing the quality of what we did have.

[O ESTADO] And how is Ceara doing?

[Tasso Jereissati] In terms of finances or public administration, Ceara does not have any serious problems. Obviously, it is an impoverished state, much poorer than Parana and Rio Grande do Sul, and its volume of savings, of surplus funds, is relatively small. The bank is fine; it does not even have the problem of owing money to the state.

[O ESTADO] What are the problems?

[Tasso Jereissati] Our problem is the opposite of Britto's. Britto said that Rio Grande's prospects under Mercosur are fantastic and that the public sector is a serious problem down there. We have solved, to a certain extent, the problem of the financial overhaul of the public sector. We have a fantastic challenge in terms of the social and economic reform of an impoverished region. The people keep asking: "Fine, the state has been overhauled, there is a surplus of funds, so about my life?" We have enormous structural problems—the water problem, survival of the human person, health, and education.

[O ESTADO] So Ceara will have to become a spending state?

[Tasso Jereissati] Now it has to be a spending state, one that knows how to spend wisely. More than spending, the state must be able to use the fact that it has a public sector surplus to attract outside resources and to go into debt in order to cope with poverty, with the widespread

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misery found in the interior of the state. Even the capital city, which has experienced a lot of development in recent years, now has an expanding periphery of misery, and it is practically impossible to curb migration from the interior of the state. Internal savings are minimal and insufficient to solve basic problems—despite our having had reasonably good economic growth in the past two or three years.

[O ESTADO] How much growth?

[Tasso Jereissati] About 8 percent, which is above the average for Brazil. But this was 8 percent from a low base with enormous problems.

[O ESTADO] So that is why you are interested in bringing the Petrobras [Brazilian Petroleum Corporation] refinery to your state?

[Tasso Jereissati] The refinery would be much better for the state than several ministries would be. It means investment of $1.5 billion on top of a GDP of $10 billion. So it would have a fantastic impact, besides all those things that an investment such as a refinery generates around it, which the economists call the multiplier effect.

[O ESTADO] If you do not get the refinery, do you expect some federal investment in the state?

[Tasso Jereissati] We have some strategic projects, [such as] the creation of irrigation perimeters. To establish these perimeters you have to have a huge water infrastructure, a training infrastructure. The federal government could stimulate certain private investments that would involve steel mills, or even specific industries. We have in this country today a natural limitation, imposed on Sao Paulo by its own development process, which keeps it from accommodating certain industries. That limitation means that they have to leave Sao Paulo in search of cheaper labor in the poorer regions so they can be competitive on the world market. That's the market we have to attract.

[O ESTADO] Would you identify these "certain industries"?

[Tasso Jereissati] Usually labor-intensive industries. Apparel, shoes, etc. We have welcomed quite a few footwear factories from Rio Grande do Sul that could not compete with China and Taiwan on the international market if they stayed where they were. We are segmenting markets that we are interested in going after here in Brazil, and suggesting a series of incentives to attract those investments to Ceara.

Differing Opinions on State Banks

The future of the state banks of Rio Grande do Sul, Parana, and Ceara will be different if the ideas of Governors Antonio Britto, Jaime Lerner, and Tasso Jereissati prevail that were expressed in the debate held by O ESTADO. Britto insists that Banrisul [Bank of Rio Grande do Sul] has only one problem—real estate debt—but would not promise to advocate privatization of the institution. Tasso, whose state's bank was restored to health years ago, wants to sell it and invest the proceeds in social projects. And Lerner, who opposes privatization, wants a profitable Banestado so he can establish development portfolios, especially for agriculture, the mainstay of Parana's economy.

[O ESTADO] What is the situation at your state banks?

[Antonio Britto] Banrisul's only problem is the real estate debt, which is causing it to hemorrhage about R$10 million a month. The Central Bank (BC) has become aware, starting with Dr. Pedro Malan and Dr. Persio Arida, that the real estate debt now poses a threat to the federal government. Four years ago, the federal government found the four leading states had $10 billion in real estate debt. Today, no state has added even a penny to it, and the real estate debt amounts to $23 billion.

[O ESTADO] Is there still a possibility that the BC will intervene in Banrisul?

[Antonio Britto] What the federal government saw fit to apply to Banespa [Sao Paulo State Bank] and Banerj [Rio de Janeiro State Bank] does not apply to Banrisul. Unlike other banks, Banrisul has not been used by the state government as a bank of issue, to serve as a cashbox. Banrisul itself has no structural problem except the one that afflicts the entire financial system—cutting costs in order to cope with low inflation rates.

[O ESTADO] Do you favor the idea of privatizing the bank?

[Antonio Britto] Each governor has enough leadership ability, legitimacy—and in the case of Governor Jereissati, talent—to propose whatever is best for his state. But I find horrifying the argument that you have to sell a bank to prevent someone from being able to get their hands on it in the future. What we need to do is refine the legislation, to make it possible to denounce diversions of funds. Where it would be better not to have a bank, fine, don't have one. A public bank does not need to be rescued. If it can't balance the books, it fails. State enterprises have to be able to go bankrupt.

[O ESTADO] And what about the Bank of Ceara—are you really going to privatize it?

[Tasso Jereissati] The state bank has become an ordinary commercial bank. In the case of Ceara, it is a luxury to own a commercial bank when we could use the resources from that asset in social works that would have an immediate impact on the neediest population.

[Jaime Lerner] What is the problem that the state governments are facing today, in general? Creating jobs and being able to invest in social projects. Each government has a different job-creating strategy. What we need to do is close the production chain within our own states. If we

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do not have banks to drive the development process, we are going to be missing some important tools.

[O ESTADO] But that has to be done by a commercial bank.

[Jaime Lerner] Yes. Look, the Bank of Parana is 49 percent private enterprise. We are going to work toward having private enterprise take over more and more of the bank. We are not obsessed with the idea that the government has to have a bank, but we cannot give up this instrument of development. If a bank like Banco do Parana has a 12 percent return on net worth, it can reserve part of that for development.

[O ESTADO] Is that legal?

[Jaime Lerner] I can create a development portfolio in Banestado. Any bank that wants to do development can do it. All it needs is profitability. This is necessary because the private banks will not take certain risks. We are not going to take risks without guarantees, but we will have a line of credit to help the little guy.

Chile

President Frei Celebrates Peruvian-Ecuadoran Accord

PY2002210195 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1700 GMT 20 Feb 95

[FBIS Translated Text] President Eduardo Frei celebrated today with the Peruvian and Ecuadoran ambassadors the peace agreement signed by Peru and Ecuador.

President Frei, who returned from vacation today, reiterated the Chilean commitment for peace in the region. Frei also congratulated the Chilean Foreign Ministry for its performance in the negotiations that led to the end of hostilities between Peru and Ecuador.

The Peruvian ambassador in Chile emphasized his country's will to continue its efforts to solve the pending points in the conflict. His Ecuadoran counterpart thanked Chile for its contribution in the peace talks.

Colombia

Defense Minister Rules Out 'U.S. Invasion' of Island

PA2202022995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 22 Feb 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] The possibility of a U.S. invasion of the island of San Andres today was completely discarded by Colombian Defense Minister Fernando Botero, who today went to the Cusiana oil wells with Colombian President Ernesto Samper and with the deputy foreign minister of the United Kingdom.

[Begin Botero recording] This hypothesis does not deserve any kind of credibility. The problem of San Andres has to do with it being utilized by some drug-trafficking sectors. The government has been working diligently on this matter. It has strengthened the naval force in San Andres, has seized complete control of the airport, has appointed a Colombian Air Force officer to supervise airport operations, has given legal power to the Air Force's land units to control the airport, and has reshuffled the anti-narcotics department of the San Andres police to strengthen the state's presence. [end recording]

In San Andres no one wants the gringos to show up, but it has been admitted that controls on drug-trafficking are scarce and deficient because of lack of resources. Margarita Cepeda has a report on that.

[Cepeda] This is the kind of boat that the San Andres Department police use to routinely patrol the island's bays.

Despite the fact that the police and the Navy have patrol speedboats with 60-horsepower motors, these boats would never be able to reach the speed of the more than 400-horsepower boats used by drug-traffickers.

The police have reported that San Andres traffickers have neither laboratories nor loading zones.

[Begin San Andres Police Commander Colonel Gustavo Canas recording] We have contacted the citizens and have asked them to inform the authorities the moment they know about the presence of this scourge, because this is for the good of the country and the island. [end recording]

The San Andres traffickers are like witches: Nobody has seen them, but one thing is certain, they exist.

[Begin recording] [unidentified man] I did not know that. I just fish. I did not know anything about this trafficking.

[Cepeda] What about departing speedboats?

[Unidentified man] Yes, they depart, but I am not watching for that. [end recording]

[Cepeda] The director of the tourism office says that measures are being adopted on this but cautions that the existence of front people make difficult the uncovering of the masterminds.

[Begin Tourism Director Davidl Olsen recording] It is possible that there is drug trafficking but I do not believe in exaggerations. A military invasion would be worse. [end recording]

President Attends Advisory Meeting on Drug Certification

PA1702172295 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 17 Feb 95

[From the "Seven O'Clock Newscast]

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[FBIS Translated Text] President Ernesto Samper attended the Foreign Relations Advisory Committee meeting at Narino Palace. The Committee is currently reporting to President Samper on Colombia's possibilities for obtaining the certification that must be issued by the United States. Only former President Misael Pastrana was able to attend the meeting former Presidents Alfonso Lopez, Virgilio Barco, and Belisario Betancur had previous obligations.

Foreign Minister Rodrigo Pardo reported on his efforts with Clinton administration officials and several Democratic and Republican senators in the United States over the past week. The Republican senators are harsh critics of the Colombian Government's drug policy, but despite the Republicans' rigid position against Colombia and their pressure on President Clinton to present a negative report on Colombia to Congress, the Samper administration is confident that the certification will be approved unconditionally. If not, the cooperation between the countries to eradicate drug trafficking would be affected.

FARC Suspected in Students' Deaths

95CA0134B Santa Fe de Bogota EL TIEMPO in Spanish 8 Feb 95 p 10-A

[Article by Oscar Gutierrez]

[FBIS Translated Text] Ibague—"They were tortured unmercifully; they fractured my brother's extremities before killing him," this newspaper was told by Maria Soledad, a journalist and sister of Jorge Saul Pineda Paredes, son of a late ex-senator. He was one of the victims of the quintuple murders attributed to the FARC [Revolutionary Armed Forces of Colombia] guerrillas at the Palomar checkpoint in the municipality of Anzoategui, in northern Tolima.

Soledad Pineda, former press adviser to the Tolima Governor's Office and to Diamante Cement, called upon the authorities to "guarantee the lives of citizens and, in the high risk zones, maintain the preventive surveillance demanded by the situation and the community, so that honest persons will not continue to be helpless victims of an unchecked guerrilla movement."

The ombudsman in Ibague, Santiago Ramirez Calderon, for his part, in statements to this newspaper, called upon the community to say no to violence.

In his opinion, "We must break off from this inertia that has invaded us. All of us, as a civilian society, are responsible for the task of rejecting any act of violence and reporting those who attempt to disturb the peace that we all desire."

Governor Francisco Jose Penaloza Castro, Ibague Mayor Alvaro Ramirez, the trade unions, the church, and the community have joined in the expression of repudiation.

Returning to long hair, in the bushy-head style, has been an idea thought up by some young people, who believe that the military-style shaven haircut was what cost the students their lives, because (as the journalist Soledad Pineda noted) the guerrillas "shoot first, and then ask who you are."

Group Burial

At 1400 hours yesterday, the funeral ceremonies were held for the five youths presumably killed by the FARC's 21st Front.

The funerals of Fabian Oswaldo Lopez, aged 26; the brothers Fernando and Danilo Triana, 24 and 25; Roberto Chacon, 23; and Saul Pineda, 29, took place at the Ibague Cathedral Church. Then their bodies were taken to the city's San Bonifacio Cemetery, where they were given a Christian burial.

As was reported yesterday, the five youths, three of whom were National Army Reserve members, were riding on three motorcycles, two KMX's and one DT, which were incinerated after the criminals had shot their victims.

The initial account presumes that the young men, because of their hair cuts and clothing, were mistaken for members of Army intelligence. Military units, deployed by land and air, have been carrying out tracking operations in the Anzoategui mountain areas, without success.

The Armed Forces condemned the act, declaring that this violent incident proves that the FARC, and the guerrillas in general, do not intend to comply with the rules of Geneva Protocol II, regulations that are in effect in Colombia. The purpose of these rules is to protect the civilian population trapped in the armed conflict. The national government officially condemned the massacre, declaring its concern if this is proven to have been the work of subversives.

Some Implications of Trujillo Case Viewed

95CA0137A Santa Fe de Bogota EL ESPECTADOR in Spanish 5 Feb 95 p 2C

[Commentary by Alejandro Reyes Posada of the National University's Institute for Political Studies and International Relations]

[FBIS Translated Text] The generals and the government evaluated the Trujillo incidents differently. The generals and the military justice system judged as innocent Colonel Uruena, whom the Investigating Commission found guilty of having organized a prolonged massacre of citizens, and of having personally used the blowtorch and chainsaw on their live bodies. The scandalous part is that they are all correct: The generals are abiding by the law, which stipulates that the matter judged exonerates the accused from blame, and that, since he was duly declared innocent in all jurisdictions of the military justice system, Colonel Uruena is an officer who is clean

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(or could he be called laundered ?) of criminal liability. And according to the generals, military justice should prevail over political justice.

The president and the minister are correct as well. Their minimal obligation, when the truth was revealed, was to draw a dividing line between tolerable military conduct and that which is not. Since officers are freely dismissible, the least the government could have done was to remove from the ranks the colonel who was inclined to practice surgery on so many people. The contrary would have destroyed the little credibility of the policy of respect for human rights. The president and his minister decided that political justice should prevail over military justice.

The Trujillo report exposed the fact that Colombian military justice is an organized system of concealment to protect a method of conducting war. It is a war justice system, which does not lend itself to going along with the enemy, but rather to contributing to victory. Its principal task is to discredit complaints against the honor of officers: complaints which, by definition, have been orchestrated to demoralize the troops. Hence, the generals are gratified whenever a high-ranking officer is exonerated by his colleagues of blame related to human rights violations. This proves that the military justice system has carried out its mission. And it is far more successful when it manages to conceal a clandestine operation of such magnitude as that ending the lives of 107 persons in a single town.

The Trujillo case is the one that will force the government to promote a serious examination of the military criminal justice system, and it will be discovered very soon that the change in codes also will entail drastic corrections in the military strategy. The occurrences in Trujillo are not an exceptional aberration of the latter, but rather the best example shown thus far, by an impartial investigating commission, of a common practice. Because Colonel Uruena is not the only officer who has put the weapons of the Republic in the service of "narcos" and cattle raisers, nor the only one to organize his operations in collusion with mercenaries and hired killers.

The Trujillo case brings another immediate consequence: the need for examining the decision to create peasant security associations, which would operate under the Army's supervision. If the supervision of private armies in a violent territory is incumbent on any of the colonels or generals who practice Colonel Uruena's methods, how can security be prevented from continuing to become a business of high-ranking officers?

The idea of security associations, as well as the idea of charging for the State's security services, constituting the reason for their existence, are ideas replete with situations such as that in Trujillo. Because in many of the country's regions, the unrest troubling the large taxpayers, who are the ones that would have the best armed associations at their disposal, and who could pay more for the Army's services, is the social unrest caused by the concentration of property and the robbing of the weak. If the new security strategy means renewing the old alliance of the central authorities with the economic elites, old and new, delegating to them the surveillance and justice system in areas of conflict, Minister Botero will not be able to prevent the proliferation of incidents such as that in Trujillo, nor will the country be able to surmount the human rights catastrophe.

Means Sought To Finance Development Plan

95CA0134A Santa Fe de Bogota EL TIEMPO in Spanish 8 Feb 95 pp 1B, 5B

[FBIS Translated Text] Colombians will have to dig into their pockets this time to help finance the Samper government's Social Leap.

The new tax reform, to be submitted to the Congress in mid-March, will entail an effort on the part of Colombians representing 3.0 trillion pesos.

Although the reform will not raise the current tax rates which, in the case of the VAT [value-added tax], stand at 14 percent, and for income, at 37.5 percent, the sacrifice by Colombian taxpayers will not be negligible, by any means. Considerable funds will be obtained by controlling evasion and eliminating tax exemptions.

The heaviest burden will fall on the middle and upper classes. This claim was made yesterday by Finance Minister Guillermo Perry Rubio, who declared: "The greatest effort will be made by the citizens riding in private cars, and will not affect those traveling by bus."

According to estimates from the ministry and the National Planning Department, the largest amounts collected, to be generated by the so-called "tax streamlining" plan, will total 426 billion pesos in 1996.

Although some will pay more than others, every Colombian will be paying an average of approximately 11,833 pesos.

By 1997, the effort will be greater: collections are expected to total a trillion pesos (a million million). As a result, the share of sacrifice would amount to 27,248 pesos per inhabitant. On the other hand, by 1998, the tax effort will enable the state to accrue revenue additional to that planned, totaling 1.6 trillion pesos: in other words, 42,780 pesos per person.

At the presentation of the Development Plan to the Senate and Chamber economic commissions, Minister Perry remarked that, "at today's prices," the reform will represent some 2 trillion pesos for the treasury during the three years.

The minister defended the financing of the plan, claiming that, in the next few years, the government will have to expend a greater effort as well, owing to the

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social security law and the regions' transfers. He commented: "The increase in funds to municipalities and departments alone will be double the amount expected to be collected through the reform."

In the event that the bill is not passed, the transfers to the departments would be reduced by 791 billion pesos; while the shares for the municipalities would drop by 587 billion pesos.

Although the tax reform will be a key factor for the financing of Salto, the government already has new devices for accruing revenue. One source of funds will be the new petroleum operations at Cusiana and Cupiagua, and the privatization of certain entities owned by the state.

Within the next few months, the government hopes to sell the Popular Bank, the Central Mortgage Agency, the Previsora [Provident] Insurance Company, and certain fiduciary institutions.

In addition, several power generating plants will be left in private hands.

The preliminary estimates indicate that the nation will receive over $100 million from the privatization of television.

Perry Rubio stressed that, in order to make the Development Plan succeed, everyone will be obliged to make an effort. The private sector will have to contribute 10.5 trillion pesos to finance the infrastructure plan, which includes the rehabilitation of roads and the development of the new petroleum deposits.

Similarly, an impetus will be given to economic growth and foreign investment, and savings will be fostered, in view of the drastic decline in them during recent years.

Within the next few days, the rapporteurs of the government's bill will be designated. They will have to study the contents of this proposal before the official debate begins.

Yesterday, several congressmen, including Efrain Cepeda, expressed their reservations concerning the financing of the plan.

Collections Through Tax Reform (in millions of pesos)

Value	As a Percent of the GDP	Year
426,000	0.5	1996
1 million	1.0	1997
1.6 million	1.4	1998

Source: Ministry of Finance

Progress of 'Apertura' Program Assessed

95CA0136A Santa Fe de Bogota EL ESPECTADOR in Spanish 6 Feb 95 pp 1, 5B

[Article by staff writers Angela Gaviria and Hector Hernandez M.]

[FBIS Translated Text] One of the objectives of the "apertura economica" [market liberalization] was to encourage private investment. Nevertheless, the World Bank [WB] has found that "this goal should have materialized by now."

The fact that it has discovered many business firms "which responded conservatively to the liberalizing reform instead of becoming modernized" has prompted the WB to virtually exempt them from any responsibility.

The most "wimpish" is the government, because it is the one that has really contributed to the uncertainty preventing the firms from taking investment risks.

However, the financial sector did not manage to come out very well either, because, despite its reform, the cost of capital continued to be too high for making investments.

The conglomerates have been the ones to benefit most from the liberalization, owing to their built-in capacity for financing themselves; whereas the small and medium-sized companies, called independent firms by the WB, have found this very difficult.

EL ESPECTADOR had access to a confidential World Bank document, called "Private Sector Assessment" in English, which attempts to identify the obstacles preventing the private sector from becoming modernized.

The report was released by the government to the private sector which, at a recent meeting, made some criticism of the study for presumed macroeconomic errors and for failing to probe deeply into the effects of the violence on business.

According to the multilateral agency, the uncertainty has been fueled by the constant changes in economic policy, by the lack of clear signals from the government for maintaining the free market policies and setting a real direction for the economic policy, and by the laxness in budgetary management and in the strategy for managing the revenues to be left by the oil "boom." It also blamed the inadequate infrastructure, the high cost of capital, and the complex bureaucratic regulations, combined with the so-called "red-tap mania," the inflexibility of the labor market, and the weak technological policy.

The World Bank conducted a survey of the private sector, called PSA, in which all the firms queried considered the uncertainty of the economic policy one of the main obstacles to the future expansion and development of business in Colombia.

In the trade area, it insisted on maintaining liberalization, because "it would be critical for Colombia to attempt to resist the trade policy in order to ensure macroeconomic stability."

It advised not applying further protectionist measures to the sectors that have not become adapted to competition; and, on the contrary, it proposed a timetable to

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adjust the liberalization process and to eliminate the concessions that have been granted.

It recommended a second phase of liberalizing reform, whereby aid could be given to business firms in developing competitiveneness, promoting regional integration, and facilitating the development of exports.

The bank viewed with concern the weakness of the customs administration system.

On the other hand, it cited the need for defining and clarifying the objectives of the macroeconomic policy over the medium term, to reduce the uncertainty; as well as for remaining watchful of public spending, despite the increase in revenues generated by Cupiagua and Cusiana.

In the liberalization process, the WB noted a great difference in the development of the conglomerates compared with that of the independent firms, claiming that this was based on the manner in which they gained access to capital.

"The strong response from the conglomerates to liberalization reveals the importance of access to competitive financing for responding to the variations in the business environment."

It pointed out that the independent firms were forced to deal with the liberalization by financing themselves at their own expense.

Hence, it considered a reform of the financial sector necessary to cut the cost of capital, and thus reduce the disadvantage at which the independent firms find themselves.

Complementing this aspect, the WB deemed it essential to "reinforce the anti-monopolistic component."

Ecuador

1995 Macroeconomic Goals Modified

PA1702131895 Quito Voz de los Andes in Spanish 1200 GMT 17 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The Ecuadoran economic front has modified the goals of its 1995 macroeconomic plan in an attempt to face the national crisis. The decision, announced yesterday by the economic front, basically involves the fiscal measures adopted to generate additional resources to finance the war without exerting greater pressure on such key economic variables as inflation, the dollar exchange rate, and public investment.

The original goal of a 16.5 percent inflation rate by year end was postponed until July 1996. The government now hopes for a 21 percent inflation rate for December 1995.

Conflict Reduces International Reserves by $150 Million

PA1802204195 Madrid EFE in Spanish 1725 GMT 18 Feb 95

[FBIS Translated Text] Quito, 18 Feb (EFE)—Ecuador's foreign reserves dropped by $150 million as a result of its conflict with Peru, and this drop will entail many costs, Monetary Board President Ana Lucia Armijos said.

"There has been a $150 million drop in reserves so far. In addition, there will be other expenses that will entail payments in the future. We must be realistic: The conflict has a cost that will be reflected on resources in sucres and dollars," Armijos told Quito's EL COMERCIO in an interview published today.

Ecuador's monetary reserve was $1.711 billion in December 1994 according to the Central Bank.

"We can no longer talk about a 4 or 5 percent economic growth rate (in 1995). The inflation goal will be postponed. Monetary reserve goals and all mechanisms and instruments used to achieve such goals will be reviewed," she added.

Armijos does not believe, however, the economic program of the Ecuadoran Government headed by conservative Sixto Duran-Ballen "will collapse."

The Monetary Board president added that "interest rate decreases, a return of deposits withdrawn from banks, and a greater liquidity in markets" have been observed since peace was signed with Peru on 17 February in Brasilia.

"Interbank rates of 80 percent were registered this week in comparison to rates of over 240 percent two weeks ago," Armijos said.

This year's inflation goal, which the Ecuadoran Government initially established at 15 or 17 percent, will increase to 21 percent, Central Bank President Augusto de la Torre has said.

It is estimated the GNP growth will be between 3 or 4 percent instead of 4 or 5 percent, as the government had forecast prior to the conflict.

De la Torre also announced a 17 percent devaluation of the Ecuadoran currency, 5 percent higher than programmed in December last year.

Duran-Ballen Hopes for Final Solution After Demobilization

PA2202053095 Paris AFP in Spanish 2117 GMT 21 Feb 95

[FBIS Translated Text] Quito, 21 Feb (AFP)—Ecuadoran President Sixto Duran-Ballen said today that following the demobilization and demilitarization of the Ecuadoran and Peruvian armies, "I hope, God willing,

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to start discussing a final and definitive solution" to the border dispute between our two countries.

A group of observers from the guarantor countries of the Rio de Janeiro Protocol (1942) arrived this afternoon in Cuenca, 310 km south of Quito. They will first inspect the area where clashes began on 9 January, from the Ecuadoran side.

Duran-Ballen said that afterward, the group will travel to Piura, Peru, to "inspect the area from the Peruvian side."

"I understand that later on, both in Lima and Quito, the observers will meet with the presidents to begin the process of demobilization and demilitarization, and subsequently, God willing, we will begin talks for a final and definitive solution," Duran-Ballen said.

The mission of the observers "will be to coordinate the withdrawal of Peruvian forces from parallel 3.27 and 3.26, while we will concentrate on parallel 3.30," he added.

According to Duran-Ballen, this "will mean that there will be a buffer zone to prevent new conflicts, and the observers will supervise the area to ensure compliance."

"After the demobilization and when the situation is calm, we will begin talking about a final solution, hopefully during our term," which ends in August 1996.

The group of observers includes top military officers from the four guarantor countries—Argentina, Brazil, Chile, and the United States—who arrived in Cuenca from Brasilia this afternoon. From there, they will travel to Patuca, which is the town closer to the area of the conflict.

Guarantor Countries' Observers Arrive in Cuenca

PA2202005495 Quito Voz de los Andes in Spanish 2300 GMT 21 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Excerpts] Military and diplomatic observers from Argentina, Brazil, Chile, and the United States today arrived in the Ecuadoran city of Cuenca from where they will travel in the next few hours to the Ecuadoran-Peruvian Amazon border cordon to supervise the peace process.

The C-130 airplane in which they arrived landed at Cuenca's airport at 1430. The observers were received by Ecuadoran diplomatic and military authorities as well as the ambassadors of their respective nations in Quito.

Argentina, Brazil, Chile, and the United States are guarantors of the so-called Rio de Janeiro Protocol. [passage omitted]

This first observers' mission is headed by Brazilian General Ariel Pereira de Fonseca. Its other members are a military officer from Argentina, four from Brazil, two Chileans, and four from the United States, and several diplomats from each of the four guarantor countries.

The objective of this observation group will be to verify the cease-fire and to plan with Peru the activities and the logistic necessities of the negotiators.

Duran-Ballen has revealed that the mission will be established in the Tihuinza sector that both he and his Peruvian counterpart assure was in the hands of their soldiers at the moment of the cease-fire. There is only one Tihuinza and it is in Ecuadoran hands as national and foreign newsmen who visited the area and checked coordinates and established positions verified two weeks ago, Ecuadoran President Sixto Duran-Ballen said in recent days.

International Observers in Patuca; Safety Measures Enforced

PA2202045095 Quito Voz de los Andes in Spanish 0300 GMT 22 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The first group of international observers arrived in Ecuador to begin verification of the cease-fire reached last week between our two countries. The observers arrived at Cuenca this afternoon, and they later went to the airport in Macas, where they immediately boarded two Super Puma helicopters that transferred them to the 21st Condor Brigade in Patuca. They will begin their work tomorrow at the border posts in the area.

Referring to this issue, reports from Quito indicate that the military observers of Argentina, Brazil, Chile, and the United States will supervise abidance by the cease-fire agreement and the demobilization of the Ecuadoran and Peruvian troops from the Amazonian border. They will be deployed in two helicopters that have been marked so they are not confused with the disputing parties. White circles have been painted on the doors of the two Ecuadoran Army's Super Puma helicopters, and the Ecuadoran Embassy in Lima has notified the Peruvian Government of this.

The Ecuadoran Foreign Ministry said in a communique that it trusts the Peruvian Government will cooperate so the adopted security measures are properly implemented and the guarantor countries' observers may carry out their work without any problems or interferences. The military observers—two Chileans, one Argentine, 10 Brazilians, and four Americans—are traveling with the military attaches of the four countries' embassies, as well as four Ecuadoran military personnel acting as liaison officers.

President Expects 'Honesty and Impartiality' From Observers

PA2202051695 Madrid EFE in Spanish 0007 GMT 22 Feb 95

[FBIS Translated Text] Quito, 21 Feb (EFE)—Ecuadoran President Sixto Duran-Ballen said on 21

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February if the guarantor countries of the Rio de Janeiro Protocol do not act with "honesty and impartiality" to settle the border problem between his country and Peru, he will resort to forums at "other levels."

In statements to "Radio Quito," Duran-Ballen said "an agreement must specify not only the maintenance of these areas (those of the conflict) in Ecuadoran hands, but also the recovery of other territories that might be in Peruvian hands at this time."

Peru, he added, "seized those territories arbitrarily when it unilaterally established the borderline along the summit of the Condor mountain range, which is not mentioned in the protocol, as the Cenepa was not mentioned either."

The Rio de Janeiro Protocol, a border agreement that established the limits between Ecuador and Peru on 29 January 1942, does not mention the existence of the Cenepa region, which was discovered five years later, and thus, a 78 km area along the Ecuadoran-Peruvian border was left undemarcated.

Ecuadoran and Peruvian troops clashed in 1981 and again from 26 January to 17 February this year at that undemarcated strip claimed by the two countries.

"It was discovered then that (the Cenepa River) had three instead of two basins. It is logical to suppose the guarantors must act honestly and impartially to settle this issue," Duran-Ballen pointed out.

He warned, "otherwise, Ecuador will have to take it (the case) to another level," without confirming whether he referred to the OAS or the United Nations.

Duran-Ballen reaffirmed they have not taken "one step backward because the Peruvians have never occupied our positions and the Ecuadoran Armed Forces have always remained on alert in defense of their territory."

A mission of military observers and diplomats of the four guarantor countries (Argentina, Brazil, Chile, and the United States) will arrive in the zone of the armed conflict on 21 February to verify compliance with the peace agreement between this country and Peru signed on 17 February in Brasilia.

Duran-Ballen reported the observers mission will establish its operations in Tihuinza and for this purpose, the appropriate security measures have been adopted and the basic lodging infrastructure was installed, "because they will be in the country for some time."

The government insisted "there is only one Tihuinza and it is still in Ecuadoran hands" (Peru maintains that same place is under control of its soldiers) and he recalled national and foreign journalists visited the zone two weeks ago "and confirmed its coordinates and its position."

Defense Minister Says Peru Attacks Tihuinza Base

PA2202000695 Quito Voz de los Andes in Spanish 2300 GMT 21 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Excerpt] Defense Minister General Jose Gallardo charged today that Peru attacked the Tihuinza military base, which is located on the Amazon border with Peru and which Ecuador regards as its own. Today some Peruvians attacked Tihuinza but have again failed. We repelled them, and no casualties were reported. We maintain control over those positions, he said. Measures have already been taken to avoid falling prey to deceptions and traps, Gallardo stated as he entered the congress building. [passage omitted]

Foreign Ministry Reports Peru's Cease-Fire Violations

PA2202052495 Quito Voz de los Andes in Spanish 0300 GMT 22 Feb 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Quito—An Ecuadoran Foreign Ministry communique reported today that the Peruvian Armed Forces have failed to respect the cease-fire agreement signed on Friday and that Ecuador has fulfilled it in strict compliance with its traditional respect for international pledges. Ecuador's report emphasized that the Peruvian Armed Forces continue a systematic plan of hostilities at the still unmarked strip of land on the Amazonian border, where the binational military conflict broke out on 26 January.

The communique added: The attacks sustained these days by the Ecuadoran detachments represent evidence that Peru creates problems so the guarantor countries' observers may not fulfill their mission. The communique adds: Thus, Peru wants to attain the territorial advantages its Armed Forces have failed to do so until now. These military hostilities, which are a flagrant violation of the Peace Declaration of Itamaraty, headquarters of the Brazilian Foreign Ministry, are being supported by a large-scale press campaign unleashed in Lima to depict Ecuador as the country that has broken the pledge assumed in Brasilia, where the cease-fire was signed.

The Ecuadoran communique continued: This campaign also proves the Peruvian military raids are not accidental, and they are the result of a preconceived plan. Nevertheless, international public opinion has been able to repeatedly confirm in recent weeks the seriousness with which Ecuador has acted and the repeated contradictions from the Peruvian Government and its spokesmen.

President Informs Congress About Border Conflict

PA2202052695 Quito Voz de los Andes in Spanish 0300 GMT 22 Feb 95

[From "The Voz Andes Newscast"]

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[FBIS Translated Text] The National Congress held a special session today in which the president of the Republic informed deputies in the presence of members of the National Security Council and the expanded cabinet about the current situation between Ecuador and Peru and the way in which he has been handling the conflict.

In that regard, Carlos Larreategui, public administration secretary general, said:

[Begin Larreatgui recording] A few moments ago, I found out that he will present a report regarding the territorial conflict in the military and diplomatic areas. In his report he will inform Congress of the situation, give details on actions taken in the military and diplomatic fields, and explain the nature and scope of the peace agreement signed between the two countries. That is basically what the president will be reporting. [end recording]

Poll: Majority Support Duran-Ballen's Recognition of Rio Protocol

PA1802200895 Madrid EFE in Spanish 1543 GMT 18 Feb 95

[FBIS Translated Text] Quito, 18 Feb (EFE)—A survey released today has revealed that nearly eight of every 10 citizens of the two largest Ecuadoran cities support the decision made by their president, Sixto Duran-Ballen, to recognize the Rio de Janeiro Protocol, a border agreement reached with Peru in 1942, as a "basis" for a solution to the conflict.

Ecuador declared the protocol "null" and "inexecutable" in 1960, claiming it was imposed by force when Peruvian troops occupied its territory. Ecuador claims the protocol includes markers that do not correspond to the region's geographic reality.

Duran-Ballen has now said the treaty is "in effect" and has limited the "inexecutability" to the border area that remains undelimited, where the armies of the two countries fought from 26 January to 14 February this year.

The 78.25 percent who expressed support for Duran-Ballen (77 percent in Quito and 79.5 percent in Guayaquil) is a significant increase over the traditional 50 percent support for the protocol, said Jaime Duran, director of the survey firm "Confidential Report," in statements published today by the Quito newspaper HOY.

Duran-Ballen warned, however, that "citizens are not very informed about the topic, but they backed the government in the handling of the matter."

The guarantors of the 1942 Rio de Janeiro Protocol are Argentina, Brazil, Chile, and the United States, countries that have been meeting in Brazil during the last few weeks as mediators to get Peru and Ecuador to sign a cease-fire agreement early the morning of 17 February, thereby legalizing the end of the armed conflict.

On 17 February, Duran-Ballen recognized "as a reality that no one can deny" the protocol has been executed "to a great extent."

This time, he did not mention the word "annulment" but did speak about "inexecutability" and said immediately the protocol "must be the basis for a definitive and just understanding of the territorial problem dividing our two nations."

All that remains is the demarcation of a 78-km stretch of boundary out of the nearly 1,700 kilometers of common border.

"The time has come to find a definitive solution to our territorial problem, a solution which recognizes our legitimate rights and, at the same time, leads us to a definitive peace," Duran-Ballen added.

Deputy Minister Discusses 'Diplomatic and Military Victory'

PA2202000795 Paris AFP in Spanish 1902 GMT 21 Feb 95

[FBIS Translated Text] Quito, 21 Feb (AFP)—Ecuadoran Deputy Foreign Minister Marcelo Fernandez, who headed the delegation that signed the Itamaraty Peace Agreement in Brasilia declaring a cease-fire between Ecuador and Peru, today said that Ecuador attained a diplomatic and military victory in the recent armed conflict with Peru.

Fernandez' first words after returning from Brasilia were: "I am happy to be back home again." He added: "Ecuador has signed a peace agreement with dignity, an agreement that respects the country's sovereignty and territorial patrimony."

Asked about the possibility that Peruvian soldiers who have infiltrated Ecuadoran territory would defeat the cease-fire, he replied: "Let us hope that will not happen."

He remarked that in the diplomatic negotiations to end the war with Peru, which opened in Rio de Janeiro and ended in Brasilia, "we did not yield a single inch of Ecuador's sovereignty." The agreement has been an Ecuadoran military and diplomatic victory," he added.

He also said that through the Itamaraty document, peace is consolidated and the country can enter a new stage.

Finally, he said: "The country has benefited from the negotiations. This is illustrated by the Peruvian Government's tremendous problems at present" because it is being severely questioned by local and international sectors after the signing of a peace agreement in Brasilia.

"Ecuador has attained peace with dignity, a peace in which the country's sovereignty and territorial patrimony have been respected. This is very important for the country's future," he said.

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Duran-Ballen Interviewed on Conflict With Peru

PY2102140895 Buenos Aires CLARIN in Spanish 19 Feb 95 p 28

["Exclusive" interview with Ecuadoran President Sixto Duran-Ballen by Ruben Guillemi in Quito; date not given]

[FBIS Translated Text] [Guillemi] Does the cease-fire declaration signed at Itamaraty on 16 February meet Ecuador's expectations in the search for a solution to the conflict with Peru?

[Duran-Ballen] It does because the four guarantor countries must produce an agreement and the two countries involved in the conflict must look for a just solution to the problem. It is good to freeze the current situation because we will cease to kill people senselessly. In practical terms, it means Peru must recognize that it could not take any of our positions.

[Guillemi] If your country was able to maintain its positions during the war, why is it now agreeing to withdraw peacefully from three of those positions—Tihuinza, Base Sur, and Cueva de los Tayos—even though the cease-fire declaration does not establish Ecuador's sovereign rights over those territories?

[Duran-Ballen] Point four of the declaration establishes that geographical references will serve to demilitarize the zone and separate the troops. This means references will not be used to solve sovereignty questions. The idea is to prevent the two forces from clashing again. This is the only purpose of the demilitarized zone. Ecuador's forces will be concentrated in Coangos, and Peru's forces will be in Soldado Pastor [Watch Base 1, PV1]. We will not withdraw.

[Guillemi] Ecuadoran troops will withdraw from various posts while the Peruvians will only withdraw patrol units dispersed in the jungle.

[Duran-Ballen] The observers of the guarantor countries will stay at our bases until a definitive solution is found. There will be a reduced number of Ecuadoran troops in place because the observers are not acquainted with the zone. There will be a group of civilian authorities with them.

[Guillemi] Who won the war?

[Duran-Ballen] It would be better to say there were no winners. If you wish to be impartial about what happened, just consider Ecuador's many victories each time we were attacked. I would say that we ended up better off. Let us just say that. The Peruvians lost at least five helicopters. Yesterday they announced the loss of another in the jungle. We have shot down at least four planes. They only damaged one of our planes.

[Guillemi] Do you think the Rio de Janeiro Protocol is still valid as an instrument to solve the dispute? Or do you think—as former President Rodrigo Borja proposes—that it is necessary to negotiate an entirely new border again?

[Duran-Ballen] Both parties must accept the arbitration if it is to work. It is like if you invite a girl to dance: If she does not want to dance, no one dances. Peru has never accepted arbitration and the protocol is the only instrument we have. We have said the protocol cannot be implemented along those 78 km of unmarked borders. What the four guarantors must do if they want to be just—and Argentina is a guarantor country—is to recognize a geographical reality, the Cenepa River, which prevents using the watersheds of the Santiago River and the Zamora River as the border.

[Guillemi] The Peruvian Government says your government had an interest in reviving the conflict due to your administration's low popularity in the past few months.

[Duran-Ballen] Do you not think that would be a very silly thing to do? (Duran becomes angry.) It seems you are biased in favor of Peru. Please, sir: A reporter's work must be partial. You have visited Ecuador. Ask anyone if I have ever used the international arena to solve domestic issues. I have a record of nearly one-half century serving the country. My record is the best guarantee that I would not do that. The best proof that I have never acted as you say is precisely the lack of popularity you mentioned. I have only done what my conscious tells me is right. For instance, I cleaned up the economy without ever caring about the popularity index. Just look at it now. The economic impact of this war effort is minimal.

Attitudes of U.S., UN, OAS Criticized

95P20519A (Internet) FOREIGN MINISTRY GOPHER in Spanish 16 Feb 95

[Commentary by Leon Roldos Aguilera published in the Quito newspaper EL COMERCIO on 15 February: "What To Do?"]

[FBIS Translated Text] As I write this article, the Peruvian unilateral cease-fire will apparently come into effect. President Fujimori argues that this cease-fire was declared because Peru has recovered the territories in which Ecuador had installed military posts. However, the Ecuadoran version is that its Armed Forces still hold those areas and are under at tack. This leads us to think that the cease-fire is a result of the Peruvian inability to militarily defeat the Ecuadoran Army in the jungle.

Hopefully, the cease-fire will hold and Ecuador will be able to return to urgent matters.

The example of patriotism and dignity of the Ecuadoran Armed Forces, the unity of the civilian sectors, and their solidarity should lead them to take decisions and actions which are most beneficial to Ecuadoran society as a whole.

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Domestically, some of the macroeconomic policies must be revised to prevent social sectors from being further punished. If the burden of the cost of the conflict falls on those sectors, the result will be general unrest which will affect Ecuador's much needed recovery.

It is never easy to establish priorities, but efforts must be made toward a constructive dialogue which puts aside the political or electoral aspirations of those sectors in niches of power. Unilateral decisions by the government could revive confrontations with the National Congress and with labor and departmental entities.

On the external front, the country must face the fact that economic and political solidarity is either nonexistent or minimal. Our compliance with foreign creditors—which has brought few results—should make us think about the need to make other arrangements with those creditors. In order to have access to credits from international organizations and governments, priority should be given to urgent and necessary projects, not limited to those sectors interested only in peace projects.

The United Nations and the Organization of American States must take note of their demonstrated limited effectiveness when—as is the case in the conflict with Peru—no macroeconomic or political interests are involved. These seem tobe the sole reason to mobilize great powers and international orantizations.

The territorial problem with Peru should be handled with dignity and pragmatism—these do not necessarily contradict each other—not with chauvinism. The scenario should not, nevertheless, be reduced to solely a problem of border markers.

Concerning bilateral relations, the attitude of the United States in this conflict leaves us with a bitter taste.

The story from the United States is that Cuba has been selling equipment, arms and munitions to Peru. The Cuban Embassy has denied it. Warning! Cuba's enemies, who have not been in solidarity with Ecuador, may take measures against Cuba, thus responding to interests that are not national nor Latin American.

Pachacutec Situation Undermines National Unity

95SM0177A (Internet) FOREIGN MINISTRY GOPHER in Spanish 3 Feb 95

[Commentary by Raul Gomez Ordenana published in the Guayaquil newspaper EL TELEGRAFO on 26 January on page 4A]

[FBIS Translated Text] In its treatment of the national defense minister's disproportionate response to the unfortunate statements made by Leon Febres Cordero Ribadeneira—and the outbursts of some "politicians" who hoped to gain advantage from the incident—a part of the nation's media has undertaken to magnify the dispute to an extent that is incomprehensible and intolerable.

It is mainly the morning newscasts that have taken it upon themselves to repeatedly voice their "concern" that this unfortunate incident has caused a split in the so-called domestic front.

To this end, every sort of politician and celebrity has been interviewed. Rarely has a dispute of this sort between two high officials merited the number of commentaries and interviews that were deliberately intended to accomplish a specific purpose.

The concept of national unity has been abused in the worst way. It has been exploited in a perverse and disturbing way in order to satisfy personal hatreds and passions. The fact is that when confronted by our eternal enemy, Peru, Ecuador's national unity has never—no, never—been broken or in danger of being broken. Faced with the situation it experiences permanently on its border with its invader neighbor, Ecuador has always shown itself to be united—firmly and indestructibly united. Those who have attempted to obtain political advantage or satisfy personal hostilities toward Febres Cordero are aware of this indissoluble unity, and that is why they have dared to act in this way. It is at least understandable why every day they were presenting interviews and commentaries in which they sought shamelessly , assiduously, and eagerly to tarnish the image of the former president, whose patriotism can never be called into question by his detractors.

If in some way the statements made by the mayor of Guayaquil had truly been harmful to national unity, I am sure that the defense minister—who is also a patriot—and the media would never have accorded them such great significance: a significance that they did not have and do not have. That is an elementary fact, because to have acted in any other way would indeed have constituted an attack on Ecuador's security, thereby creating a situation that no Ecuadoran could envision, let alone desire or permit.

The controversial personality of Febres Cordero is well known: the former president is uncompromising. During his term as president, to be sure, a part of the pseudoleftist media—perhaps accustomed to presidential courtesies—felt itself diminished in importance, just as the few acolytes of the present government—deeply involved as they are in the noble task of informing the public—are today "resentful." What occurred then, however, is light years distant from this practice of altering the real dimensions of events, highlighting the most insignificant mistakes, magnifying the human errors that are always present, and in effect throwing fuel on whatever inflammable material is available, all at the expense of the former president, who has sacrificed himself for Guayaquil as very few have done. It is not right. The media must always defend the truth, peace, and prudence, which should in fact be the inescapable standards for their labor. Precisely during this sad episode, however, some elements in the media have displayed a total lack of these characteristics—the same

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lack that they have attributed to the former president. The commentaries by journalists—both in the broadcast and in the print media—should be straightforward and to the point; but it is wrong for anyone in our media—which in general have a good reputation—to seek with deliberate and obvious intent to discredit someone in order to accomplish some recondite and very political purpose.

From this fundamental point of view, the question as to whether Pachacutec was established in 1987 or 1990 is irrelevant in the nation's present circumstances. It is apparently impossible to determine the exact date; the only thing certain is that the facts did not become known to the civilian government until 1991, which proves that Febres Cordero had no knowledge of them during his term as president. It would seem that because there was no definitive proof but only some pieces of evidence, the information was not disseminated beyond the mid-level echelons of the military chain of command. In any event, because these incidents tend to support our nation's cause, they have become known only because of their disclosure by the former president. It would appear that for "security" reasons the information must be kept from the citizenry in general.

I believe we should break diplomatic relations with Peru. It is not a friendly country; it is our perpetual enemy. Why continue a situation that is unreal and nonexistent? Let us sever diplomatic relations and seek mediation by the Pope, the UN, or the OAS. But let us not continue stupidly to pretend to be friends of those who are attempting to snatch more of our sacred heritage from us.

Rio Protocol Criticized; Stronger Defense Urged

95P20519B (Internet) FOREIGN MINISTRY GOPHER in Spanish 16 Feb 95

[Commentary by Juan Falconi Puig published in the Quito newspaper EL COMERCIO on 15 February on page 4A]

[FBIS Translated Excerpt] It is time for Ecuadoreans to be completely informed about the Rio Protocol. The protocol's main defect is that it pits force against right, guarantees forced civilized coexistence together with the independence of the strongest. Even so, we must familiarize ourselves with the protocol, comprehensively and exactly.

This protocol—ironically called one of peace, friendship, and borders—is a short document with nine articles-.[passage omitted]

The treaty itself foresees that the border will be adjusted to the geographic reality through negotiation. It does not say that the geographic reality will be subject to military force or be determined through guns or trickery. Such was the cowardly trickery of accomplished facts that the guarantor countries themselves needed the OAS to act as their guarantor. We must, therefore, memorize our long border history with Peru which has forced us to live in a state of war preparedness. Our peace must be founded upon our might, and that is the history of humanity of which we are part. Whether we have to deal with an uspstart Asian immigrant Samurai apprentice or a native Peruvian, there will be no permanent treaties or delimitations if we cannot back them up with force of arms.

On the eve of the new century our cruel destiny prevents us from continuing to be pacifists. We must inexorably make a better effort to increase our defense, and along that line, work united, seriously and respectfully toward the goal of creating a solid and strong nation. This achieved, we could then, in the medium term, reverse the situation and search for a new protocol, one that will deal only with borders, not peace and friendship which died in the Amazon jungle. We reiterate our unlimited support to the government and our valiant soldiers.

Public Administration Official Holds News Conference

PA2102032995 Quito Radio Quito in Spanish 2217 GMT 20 Feb 95

[News conference by Carlos Larreategui, Ecuadoran secretary general of public administration, with unidentified reporters at the Presidency in Quito—live]

[FBIS Translated Text] [Larreategui] [Words indistinct] report on a meeting of the expanded cabinet this morning. The meeting evaluated domestic and international issues such as the territorial conflict. We made an evaluation. The president of the Republic has reported in detail to his ministers of state and the members of the expanded presidential cabinet on the various aspects of the conflict. He reported on that matter, and we evaluated the domestic and international situation. We also discussed government actions for the coming months. We discussed the negotiation and what the government will be doing.

I would also like to report that the president of the Republic decided the country should work during the two days of Carnival, because we need to work, produce, and create wealth now more than ever in order to compensate for the expenses caused by this rash and ambitious adventure launched by the Peruvian president. This homage will be made to the heroes, the military men, and all those who have offered their lives. The country must produce, must work. Each person must make contributions from his own position. Thus, we will work on those two days. There will be classes, services will be offered, banks will be open, public sector institutions will work as usual, and the private sector will do the same. The president of the Republic made this decision. I will now answer your questions.

[Reporter] The Joint Command has issued a bulletin on overflights of Peruvian aircraft and harassment by the Peruvian party against the Ecuadoran party.

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[Larreategui] Of course, we condemn all such actions not in keeping with international agreements and treaties. I believe the two countries must make a special effort to comply with this commitment [words indistinct]. Ecuador is strictly complying with its commitments, and we hope our neighbors to the south will do likewise.

[Reporter] [Words indistinct]

[Larreategui] We have full confidence in the representatives and observers of the guarantor countries. We know they are motivated, have the best intention, and are determined to mediate and help in this conflict. Thus, we know they will fully comply with their task.

The Ecuadoran Government will give all facilities to ensure they can carry out their activities. We hope [words indistinct] the country in the next hours. The Ecuadoran Foreign Ministry will soon issue a press bulletin with details on the observers, including [words indistinct] of their mission.

[Reporter] Given that the Armed Forces Joint Command issued a bulletin today that could be described as worrisome, do you believe this situation could rekindle hostilities between the two countries?

[Larreategui] I believe that eventuality is not a possibility. I believe, as I said before, this point is why we are always on alert. We have had too many experiences in lowering our guard. We hope, we trust Peru will comply with this international commitment. Also, the arrival of international observers, I believe, will offer an additional guarantee to ensure this peace agreement is fully complied with.

[Reporter] How does the government [words indistinct] the presence of Dr. Adolfo Perez Esquivel?

[Larreategui] With much pleasure. Dr. Perez Esquivel is a personality with continental and international prestige who has worked tirelessly for peace. He brings a message of goodwill that we have welcomed with great pleasure. His visit is timely, and we are thankful for Dr. Perez Esquivel's presence, given the current circumstances.

[Reporter] An international news report has stated Cueva de los Tayos is in Peruvian hands. Journalists who have traveled to the area [words indistinct]

[Larreategui] I believe journalists are the best evaluators of the statements by the Ecuadoran Government.

The same thing does not happen in Peru. They are clearly manipulating the information, the media, the news concerning the posts, the deployments, and the accusation that has been insistently mentioned for days and weeks [words indistinct]. Given these facts, we have presented evidence and testimonies, and have met with international journalists, who are the best witnesses of what the Ecuadoran Government has stated.

[Reporter] Can you confirm the president of the Republic and the defense minister will go to Congress tomorrow?

[Larreategui] I want to be quite clear about this. The president of the Republic is the one who has asked Congress to receive him. Reports have circulated implying Congress has summoned the president of the Republic to present a report to the legislative branch on the territorial conflict; this is not so. The president is the one who has wanted to go to Congress and thank its president and the deputies for their support and the attitude assumed during the most intensive military phase of the territorial conflict. Second, he wanted to fulfill his responsibility as head of state and give the legislators all the details; therefore, the session will be private and will deal with those two issues. Consequently, the president of the Republic, the vice president, the Security Council members, and the special cabinet ministers will go to Congress tomorrow.

[Reporter] Mr. Secretary, please allow me to ask a question. A statement given by Roldocist leader Abdala Bucaram has involved serious charges. Ambassador Marcelo Fernandez de Cordoba reportedly has a business in Quito and [words indistinct] Peruvian Ambassador Eduardo Ponce Vivanco. [Words indistinct] Abdala Bucaram's charges?

[Larreategui] I will not discuss the details. I believe only an absolutely irresponsible mind would try to mix internal political issues with issues that are so critical and important for the country. I believe many politicians, not all, unfortunately, have understood this issue is too important to bring it into the daily political discussions. As you well know, Deputy Foreign Minister Marcelo Fernandez has led a delegation that has carried out strict instructions issued by the president of their government.

The negotiations he has carried out were, basically, negotiations [word indistinct] freedom or leeway, because the negotiations were carried out directly by the government and its president; thus, any insinuations about commercial or trade contacts, about which I know nothing and which have yet to be confirmed, within these negotiations are irresponsible, daring, and groundless.

I believe it is time to really engage in serious politics. I believe it is time to set aside this type of political maneuver or sleight of hand for the sake of political gain. We must help solve a problem that is quite important, affects the country and its generations, and affects the future of the nation. We cannot play around with this matter, and I believe now is a good opportunity to ask politicians to set aside these cheap, unimportant speeches that could negatively affect national unity at a time when absolute unity and strength are required.

The phase we are facing is not a military phase but, rather, a complex diplomatic phase. It will require the total, unanimous support of the country if we truly want to solve the problem; therefore, on behalf of the government, I am again issuing an appeal so we can act as a country, a nation, and, above all, set aside political and partisan interests.

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[Reporter] Has the bill eliminating the VAT [value-added tax] exemptions been submitted to Congress?

[Larreategui] As you know, we have been in touch since last week.... [pauses] Unfortunately, given the events that are known to all, we were unable to schedule a meeting with the leaders of legislative wings to discuss the possible draft involving VAT exemptions. I hope we will be able to obtain a consensus regarding this initiative, and this meeting is fundamental in defining the fate of this draft bill; therefore, for now I [words indistinct] with the lawmakers to define the draft bill. As you know, the draft bill was already published in LA OFICIAL [word indistinct]. We hope to issue the regulation on the vehicle circulation tax tomorrow. We will then provide the details on the application of the tax, how it will be controlled, how it will operate regarding collections.

[Reporter] [Words indistinct] to increase the labor week from 40 to 44 or 48 hours. Has the cabinet made any decision on this issue?

[Larreategui] There is this idea; there is this initiative, but, naturally, such an initiative requires the support of the sectors involved. We maintain talks with the production and labor sectors to try to define a plan. In principle, [words indistinct] something serious from various organizations and institutions involved to make way for this draft bill. What happens is that [words indistinct] see exactly how it will be implemented and applied. This matter will be discussed this week [words indistinct].

[Reporter] [Words indistinct]

[Larreategui] There is a petition and intense activity in this regard. We are in permanent contact with international [word indistinct], which will permit us to repatriate this soldier soon. [Words indistinct] on the contrary, we are very concerned and hope the International Red Cross will take action in this regard to help us find a solution.

[Reporter] [Words indistinct]

[Larreategui] As you know, the referendum, which is a very important and fundamental topic, has certainly been downplayed during the past few days. I believe the [words indistinct] at this moment is to resolve the border dispute. For now, the date for the referendum has not been modified, but we will certainly have to analyze this matter. We will have to reconsider this issue and get in touch with various political sectors to establish the viability and convenience of holding the second referendum; therefore, as I said, [words indistinct] official pronouncement on this matter, we will definitely have to analyze this issue. We will do so once the border dispute, a more pressing situation for all Ecuadoreans, is resolved, with a clearer and more stable position. We will do so when we are able to predict results in the immediate future.

What we will begin immediately is the work of the Decentralization Commission to formulate this draft bill, which is equally important. We hope to convene the Commission once more either this week or next to relaunch the issue of decentralization, which we believe is fundamental for the [words indistinct] of the country.

[Reporter] [Words indistinct]

[Larreategui] [Words indistinct] what is in fact true is that [word indistinct] country, government, [words indistinct] must support the families of these fallen heroes. I, therefore, believe this issue must be discussed. We did not know of this draft bill. We will have to study and analyze it once it is put on paper. Naturally, in principle, without knowing the details of the bill, there is a great deal of sympathy for this initiative. We believe this is our civic duty. There is a great deal of support for initiatives aimed at supporting those who have paid the ultimate sacrifice for the fatherland. Well, thank you very much.

[Unidentified moderator] This was the interview granted a few moments ago by Carlos Larreategui, public administration secretary general. He addressed various topics of national interest. Dear listeners, the most important news disclosed by Larreategui and of common interest concerns Carnival. It will be eliminated by order of the president of the Republic. Work will be normal throughout the country. [Words indistinct] next week will resume talks with Congress to restructure the State Decentralization Draft Bill. He also ruled out a resumption of activities between Ecuador and Peru.

[Unidentified station announcer] Gonzalo, regarding Carnival, certain schools have announced the possibility that students will get a vacation. [Words indistinct] meaning students will go to class [words indistinct].

[Reporter] That is correct. Gonzalo, we would like to ask you a favor. Could you ask Dr. Carlos Larreategui about the elimination of Carnival?

[Reporter] Good afternoon, Dr. Larreategui. Certain schools have already instructed their students not to attend classes on 20 and 21 February. Will this government measure suspend the orders issued by certain schools, inasmuch as it is Mardi Gras, which has always been a holiday for students? Parents also adjust their schedules and take off a few days. Thank you.

[Larreategui] Yes, the president of the Republic has, in fact, issued a measure specifying that all private and public schools will have to operate as usual on those two days. The reasons are absolutely clear. It is necessary at this time, after going through the most critical phase of the territorial conflict, for us to produce as much as possible. We must honor all those heroes who fell at the border area with our hard work and efforts; therefore, this measure is compulsory, and the president has specified it. Thus, any order that was issued without being aware of this presidential measure will have to be revoked.

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[Reporter] A report from Lima indicates that Peruvian President Alberto Fujimori's trip to the Condor mountain range has been postponed once again due to bad weather in the northeastern area of the country. A wire report states a spokesman of the Government Palace Press Secretariat said in Lima the president's trip has been postponed until further notice. I believe this postponement is the fourth or fifth trip by Fujimori to Tihuinza, to the area which Peru has allegedly recovered. Any comments, Dr. Larreategui? Can you hear me, Doctor?

[Station announcer] We have apparently lost the signal.

[Reporter] Did you hear my question?

[Larreategui] Yes, I heard you. I would like to comment on President Fujimori's [words indistinct] and circumstances that are not supported by the truth of the events, that are not supported by the various clear versions. One thing I can say is that Ecuador has been able to verify with the reporters what [words indistinct] flatly and clearly has said. It is a fact that Base Sur, Tihuinza, and Cueva de los Tayos Detachments are under Ecuadoran control; the international press can vouch for that. Therefore, [words indistinct] simply the way the truth is handled, the way information is clearly handled, which is contrary to what Peru has been doing through a controlled media of what the truth and the events were. [Words indistinct]

[Reporter] It has also been reported from Brasilia that Peruvian Foreign Minister Efrain Goldenberg will begin a tour in Brasilia tomorrow through all the guarantor countries to express, on behalf of the Peruvian Government, appreciation for the efforts made by the mediators in the Ecuador-Peru conflict. This is another last-minute report that we wanted to announce. Dr. Larreategui, this report merely stresses the need for Ecuador to [words indistinct]. As I was saying, verification by the in situ observers from the guarantor countries means Ecuador must remain alert, sleep with one eye open, as was once said, to denounce, as you yourself have also said, before the international community any attacks by these Peruvian patrols in the region of the area of conflict.

Our special thanks to Dr. Larreategui, and good afternoon. Would you like to add anything else?

[Larreategui] I want to thank you and Radio Quito for this interview. Thank you very much and good afternoon.

Peru

Fujimori May Denounce Peace Declaration in 'Next Few Hours'

PA2202044395 Hamburg DPA in Spanish 0336 GMT 22 Feb 95

[FBIS Translated Text] Lima, 21 Feb (DPA)—Peru today considered the possibility of denouncing the Peace Declaration signed with Ecuador last Friday because of alleged Ecuadoran violations to the cease-fire, according to a report broadcast tonight (local time) by Lima's "24 Hours" television newscast.

According to this version, which was not officially confirmed as yet, Peruvian President Alberto Fujimori could issue a communique in the next few hours announcing the resolution.

Without citing specific sources, the television newscast affirmed that Fujimori and the Peruvian military high command were today in permanent contact to exchange ideas and learn about the new clashes that are taking place, one week after the cease-fire entered into force.

In spite of the fact the reports were scattered and unofficial, today was one of the most tense days since the signing of the armistice, because reports from Peruvian soldiers regarding Ecuadoran attacks on the bases of Tihuinza, Base Sur, and Cueva de los Tayor—which both Lima and Quito claim to control—intensified.

Journalists at the Ciro Alegria border post observed the departure of at least 300 Peruvian soldiers with counter-subversive experience to the area of conflict. According to Peruvian officers, these soldiers were tasked with "dislodging" about 500 Ecuadorans who were reportedly "trying to infiltrate once more."

Members of an advanced group of the guarantor countries observer mission are expected to arrive tomorrow at the conflict area for the first time. For now, it has not been said whether the continuation of clashes could obstruct the aforesaid arrival.

After the cease-fire, which was indirectly agreed upon, went into force last 14 February, the two governments announced it was being observed, except for "minor unavoidable skirmishes." However, mutual reports of alleged provocations, harassments, and attacks yesterday intensified.

Meanwhile, criticism of the so-called Itamaraty Peace Declaration made by opposition sectors has grown in both countries. Using similar arguments, oposition sectors in both countries said their respective country was adversely affected by the terms of the document.

The fighting between Peru and Ecuador, which erupted on 26 January and has cemtered on a remote region both countries consider theirs, the Condor mountain range, has left about 200 dead, according to unofficial accounts.

Deputy Foreign Minister Calls Border Skirmishes 'Disturbances'

PY2102142695 Lima Global de Television Network in Spanish 0130 GMT 21 Feb 95

[FBIS Translated Text] Peruvian Deputy Foreign Minister Eduardo Ponce today admitted that isolated skirmishes continue along the northern border. He labeled them disturbances and said he expects them to cease

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once the observers from the guarantor countries arrive. The observers will arrive in Cuenca, Ecuador, on 21 February.

The deputy foreign minister held a news conference during which he reiterated that the Peace Declaration of Itamaraty is the basis for a fraternal and neighborly relationship between Peru and Ecuador. He admitted that skirmishes, which he called disturbances, are taking place in the area of conflict. He said he expects them to cease once the observers arrive.

[Begin Ponce recording] These documents have allowed us to overcome a temporary deadlock in our bilateral relations. We would like them to be the foundation for a relationship between two neighbors who can build together, not destroy. [end recording]

Eduardo Ponce explained that his administration is currently studying the appointment of Peruvian representatives to go with the guarantor countries' observers.

Answering an Ecuadoran journalist, Ponce said Peru will do its best to reestablish trust with Ecuador through projects for integration and cooperation.

[Begin recording] [Unidentified reporter] What must be done, and why is it taking so many years for the two sides to stop viewing each other as enemies?

[Ponce] I believe Ecuador still has a long way to go. I also believe the people of Ecuador clearly understand the issue. They have a straightforward, peaceful, and fraternal approach to the issue. This will help us reach a practical agreement to give our peoples what they want, namely, peace, dignity, security, development, well-being, progress. They want to look to the future, not delve into the past. They want to leave the past behind and move into the future. [end recording]

Reports from the northern border indicate that isolated skirmishes between Ecuadoran and Peruvian troops apparently took place during the day.

Evacuated Soldiers 'Exchanged Fire' With Ecuadoran Troops

PY2102130395 Lima Radio Programas del Peru Network in Spanish 1209 GMT 21 Feb 95

[Report by correspondent Ismael Byron Horna from the Peruvian El Milagro military base in Bagua]

[FBIS Translated Text] Following the Armed Forces Joint Command communique regarding clashes with Ecuadoran troops—in spite of the peace agreement signed in Itamaraty Palace in Brazil—an unusual evacuation of soldiers wounded by mines took place at this military base yesterday. The soldiers arrived from Tihuinza and Ampama zone suffering leg wounds and problems with their hearing. They reported that they had recently been on patrol in national territory when they exchanged fire with invader Army troops who continued to receive weapons and supplies.

More wounded soldiers are currently arriving here from Valor airport. Their wounds are caused by mines. More information will be issued later on by a high ranking spokesman at El Milagro base.

Armed Forces Communique Notes Ecuadoran Border Operations

PY2102123995 Lima Radio Programas del Peru Network in Spanish 1211 GMT 21 Feb 95

[FBIS Translated Text] The Armed Forces Joint Command holds the Ecuadoran Armed Forces responsible for violating the peace declaration signed last week by the two countries. Operations against Peruvian troops were mounted at the Cenepa River waterhead. In an official communique issued in Lima, the high military command asserts that the Peruvian forces were compelled to repel the attacks.

This is the text of Official Communique No. 009, issued by the Armed Forces Joint Command:

1. The Peruvian Armed Forces, complying with the cease-fire in the conflict zone, have not flown aircraft or carried out military operations.

2. Until today, however, the Ecuadoran Armed Forces continue to carry out air operations using combat helicopters to transport personnel, supplies, and infiltrating troops to the area, and to conduct harassment operations in the zone.

3. The Peruvian Armed Forces have thus been forced to confront them in order to maintain control over Cuevas de los Tayos, Base Sur, and Tihuinza.

4. The Armed Forces Joint Command, in compliance with Official Communique No. 006 issued on 14 February 1995, reiterates its firm determination to observe the cease-fire. It also reasserts its firm determination to grant all facilities to the observers of the guarantor countries so that they may do their job safely in the conflict zone and other zones of the border they may determine.

[dated] Lima, February 1995.

[signed] Information Division of the Armed Forces Joint Command.

Foreign Ministry Issues Note on Ecuadoran Use of Mines

PY2102202795 Lima EL COMERCIO in Spanish 16 Feb 95 p A4

[FBIS Translated Text] Ecuador has violated the convention prohibiting or restricting the use of conventional weapons that can be considered excessively harmful or of indiscriminate effect, because of the large number of mines planted in several areas of the border linking the Peruvian town of Tumbes with the Ecuadoran town of Huaquillas.

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This report was released yesterday by the Foreign Ministry through an informative note, the text of which reads as follows:

Informative Note

1. The planting of anti-personnel land mines (MTAP) by Ecuador in a zone on the border with Peru between Aguas Verdes and Huaquillas—a heavily populated area, where there is continuous traffic of businessmen and citizens in general—represents a violation of the obligations that country assumed as contracting party of the "Convention Prohibiting or Restricting the Use of Certain Conventional Weapons That Can Be Considered Excessively Harmful or of Indiscriminate Effect." This instrument was adopted on 10 April 1981 in New York, and was implemented on 2 December 1983.

2. By August 1994, a total of 41 countries were registered as signatories of the said convention, among them Ecuador.

3. The convention has three attached protocols. The second of these protocols (Protocol II) forbids, under any circumstance, the use of mines against the civilian population as such or against civilian people. It also forbids the indiscriminate use of mines, that is, any deployment "that may not be inside a military objective or is not intended against a military objective." Or that "there may be reasons to foresee that it can incidentally cause the death of civilian people, or wounds to civilian people..."

4. Article 4 of Protocol II also forbids the use of mines in "towns, localities, villages, or other zones where there is a similar concentration of civilian people and where no combat is being waged between land forces..."

5. In December 1994, The UN General Assembly adopted by consensus two resolutions on the issue, 49/75 'D' and 49/79. The first expresses the concern of the international community "over the suffering and casualties imposed on noncombatants as a consequence of the proliferation, as well as the indiscriminate and irresponsible use of anti-personnel land mines." The second resolution, which was cosponsored by Ecuador, stresses, among other things, the priority that said mines have in the process that must lead to a reduction in the suffering of the civilian people and of the combatants.

6. Finally, and concerning the framework of its implementation, the convention refers to Article 2 of the 1949 Geneva Conventions. That is, to cases of "declared war or any other armed conflict that might emerge between two or several party states..."

7. Peru regrets the loss of Peruvian or Ecuadoran lives caused by the explosion of anti-personnel land mines used by Ecuador, and calls on the Ecuadoran Government to order the removal of said mines in accordance with the current principles and regulations, and with the Ecuadoran position in the international forums.

[dated] Lima, 15 February 1995

[signed] Foreign Ministry Press Board

Helicopter Gunships Clearing Mine Fields in Tihuinza, Ampama

PY2102181495 Lima Radio Programas del Peru Network in Spanish 1750 GMT 21 Feb 95

[Live phone relay by Ismael Horna from El Milagro military base in Bagua]

[FBIS Translated Text] A fleet of Peruvian Air Force and Army helicopter gunships is discharging all its firepower on possible mine fields in Tihuinza and Ampama, supporting the work of the 37 specialists of the elite command which is deactivating the plastic mines planted by the Ecuadoran Army and which caused a lot of damage to Peruvian troops. Spokesmen of this military base unofficially reported that the helicopters have located the position of 500 Ecuadoran soldiers who are hidden in our jungle. The following bases are on alert: Chavez Valdivia, Teniente Pinglo, Watch Post One, and Watch Post Two. I will be reporting any new information from El Milagro military base.

Elite Commando Group Departs for Tihuinza To Capture Ecuadoran Troops

PY2202000195 Lima Radio Programas del Peru Network in Spanish 2334 GMT 21 Feb 95

[FBIS Translated Text] The elite Tigers commando group today left the El Milagro military base for the Tihuinza zone to capture the disorganized Ecuadoran troops who are not obeying the cease-fire.

Military spokesmen reported that another special force will leave for Ampama in the next few hours to deactivate the field mines left by the Ecuadoran forces. They explained that Peruvian forces are not being deployed, but only relieved from their posts to strengthen their positions. In this regard, the spokesmen said that Peruvian soldiers only react when attacked by Ecuadoran forces. They also reported that an undetermined number of soldiers who were wounded by field mines left by the Ecuadoran forces arrived at the El Milagro base in Bagua today.

Poll: Fujimori's Popularity Increases During Conflict

PY1602172095 Madrid EFE in Spanish 1605 GMT 16 Feb 95

[FBIS Translated Text] Lima, 16 Feb (EFE)—An opinion poll released on 16 February shows Peruvian President Alberto Fujimori's popularity has grown by 7 percent during the armed conflict between his country and Ecuador.

The Datum polling company conducted its survey during the military confrontation that began on 26

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January and ended on 14 February when Peru declared a cease-fire. The poll shows that 71.3 percent of the population supports Fujimori's administration.

Datum Director Manuel Torrado said the growth of Fujimori's popularity is prompted by the "positive decisions to preserve national sovereignty" he made during the conflict.

The same poll shows Fujimori—who is running for reelection at the general elections slated for 9 April 1995—is leading the race with 57.1 percent, 3.4 percent more than in January.

The poll, conducted in Lima and Callao on 4 February, shows former UN Secretary General Javier Perez de Cuellar coming next in the race with 19.3 percent, followed by economist Alejandro Toledo with 7.1 percent.

Support for Fujimori's administration stood at 64 percent in January 1995.

Fujimori Interviewed on Thinking Behind Actions in Conflict

PY2102145595 Buenos Aires CLARIN in Spanish 19 Feb 95 p 29

["Exclusive" interview with Peruvian President Alberto Fujimori by Lucas Guagnini in Lima; date not given]

[FBIS Translated Text] [Guagnini] When will observers from the guarantor countries arrive?

[Fujimori] I think they will arrive when they are sure there are no Ecuadoran snipers on the loose, unaware of the cease-fire. It is still dangerous to enter the zone by helicopter. Using current technology, a portable radar can detect an aircraft and shoot it down with a missile. We looking for loose snipers on the ground. During my visit to PV1 [Watch Post 1], which was somewhat risky for a president, the helicopter flew very low to minimize the risk.

[Guagnini] You have presented the end of the conflict as a military victory...

[Fujimori] At this point it is not only a military victory, it is also a diplomatic victory.

[Guagnini] Why "diplomatic?" Item six of the agreement touches on the issue of a final border demarcation only lightly.

[Fujimori] True. The text of the agreement talks of the "beginning of talks." The guarantor countries' declaration is stronger and complements the Ecuadoran-Peruvian agreement. I would not just accept "the beginning of negotiations." We want a commitment by the guarantor countries. Peru's real position is described in the guarantor countries' declaration. The important thing is that Ecuador will—at last, after 35 years—accept the framework of the Rio de Janeiro Protocol. This was not achieved by any other government.

[Guagnini] Who fired the first shot?

[Fujimori] It was not a declared conflict. Peru did not declare it. Ecuador invaded Peruvian territory and then launched a premeditated attack that Peru had to repel. The number of Ecuadoran artillery pieces in the zone and the absence of Peruvian reinforcements are proof that they started the conflict.

[Guagnini] Even if we accept the Peruvian version that the country was "invaded," was it necessary to evict the invaders by force?

[Fujimori] There were two options. One was to stay put and resort to international organizations, puffing out our chest and having our soldiers killed. I do not think the Argentine people would accept the entry of foreign troops into their territory. First I had to defend the Peruvian territory, just as the Argentine people would do. The concept of "legitimate defense of the territory" of a country is internationally approved. That is what we did.

[Guagnini] Did the conflict spread beyond initial expectations? The first time you talked about it you mentioned "skirmishes."

[Fujimori] Yes. The conflict increased in intensity, but we expected that. I mentioned "skirmishes" to buy time while I was sending troops to the area. We could not simply talk, broadcast propaganda, or shout. What matters in a conflict is victory.

[Guagnini] Was there any moment when the conflict could have spread to other border zones?

[Fujimori] That risk was present all the time. We tried to avoid air-to-air confrontations in order to prevent a total war. But we were ready for an escalation. It is difficult to advance in the jungle. Therefore, had there been an escalation of the conflict it would have occurred in the coastal border zone.

CCD Second Vice President Comments on Peace Agreement

PY1702180695 Lima Radio Programas del Peru Network in Spanish 1724 GMT 17 Feb 95

[Telephone interview with Victor Joy Way, second vice president of the Democratic Constituent Congress, CCD, by unidentified reporter—live]

[FBIS Translated Excerpt] [Reporter] What is your opinion about the agreement signed in Brazil?

[Joy Way] We should feel satisfied with this agreement because it covers all the key aspects that Peru brought up during the meetings with the guarantor countries until 4 February; and it has even refined them.

We should be satisfied because in addition to shoring up the cease-fire, the agreement outlines actions leading to further negotiations for the definitive demarcation of our borders. The peace declaration calls for a withdrawal

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of troops, the establishment of a demilitarized area, and a mission of observers. I repeat that it also paves the way for the demarcation of the unmarked 78 km of our border.

[Reporter] Do you believe this six-point agreement guarantees the negotiations leading to a final demarcation of our border with Ecuador will continue?

[Joy Way] Undoubtedly so, because this agreement is in keeping with the Rio de Janeiro Protocol, the arbitrator's ruling, and has been accepted by the guarantor countries. This peace declaration has a basis. [passage omitted]

Uruguay

New Economic Team Analyzes Foreign Exchange Policies

PY2002015695 Montevideo EL OBSERVADOR ECONOMICO in Spanish 7 Feb 95 p 7

[FBIS Translated Text] On 2 February Luis Mosca, economy and finance minister-designate, said the foreign exchange policy will not change significantly after 1 March [inauguration of the new administration]. He also downplayed the importance of selecting "a nominal anchor," which will depend on the foreign exchange policy and the amount of circulating money. Mosca said that no matter which anchor the government selects, the dollar foreign exchange rate in relation to the peso will not experience any significant change.

In December, former Central Bank (BCU) President Ricardo Pascale—designated to the same post by the new administration—said the dollar "would be a secondary factor" during the next five years, adding that he favored a "realistic" foreign exchange rate. More explicitly, Ariel Davrieux, future planning and budget office director, stressed the government's desire to work for a gradual recovery of the foreign exchange rate in the short term—without sudden devaluations—supported by a foreign exchange policy that will make the price of the dollar follow the inflation rate.

Participants in recent meetings between representatives of the government elect and other political forces told EL OBSERVADOR that Battlist Forum [Colorado Party faction] representatives Davrieux and Mosca are now placing more emphasis on reducing the fiscal deficit, which according to projections will be around 3.5 percent of the gross domestic product in 1995 "if the administration does not introduce changes in the situation we will inherit."

The issue of improving competitiveness is a "medium term" objective for the elected government, the sources said, adding that competitiveness will be supported by measures the new administration will implement to reform the public administration and particularly, the social security system. The new administration will also propose some changes in the tax system to reduce exporters' tax burden. Among these measures, the new administration wants to replace taxes that are not reimbursable through tax return mechanisms with other taxes that are reimbursable and in accordance with the international agreements signed by Uruguay.

The "Tequila Effect"

Sources consulted by EL OBSERVADOR said that Mexico's financial crisis and its negative repercussions on Argentina and Brazil are at the bottom of the new administration's change of emphasis on foreign exchange and monetary policies. "They are busy estimating the 1995 fiscal deficit," said a source participating in the meetings. "Therefore, devaluation and the 1995 inflation rate are variables that will only be known when Colorado Party technicians define what levels those variables must have to withstand the fiscal deficit."

The 1995 devaluation, then, will no longer be determined by the objectives set by the new administration in the areas of competitiveness and reduction of the Uruguayan currency over valuation. The closing of the fiscal breach has now become very important. Besides, elected administration advisers consulted by EL OBSERVADOR expressed "concern" over the consequences of "the tequila effect" on Argentina and its eventual "repercussions" on Uruguay.

"No one can ignore the impact that Argentine and Brazilian spending has on Uruguay's economy. Our (the Colorado Party administration) foreign exchange policy will have to be flexible enough to absorb shocks coming from abroad," a government economic adviser told EL OBSERVADOR.

Venezuela

Air Force Assumes Air Traffic Control During Labor Dispute

PA1902141395 Paris AFP in Spanish 1326 GMT 19 Feb 95

[FBIS Translated Text] Caracas, 19 Feb (AFP)—The Venezuelan Air Force this morning took over air traffic control duties at Maiquetia International Airport to end the conflict between air traffic controllers and the government over salary demands, it was reported to AFP.

The military intervention at the country's largest airport occurred at 0600 (1000 GMT). According to military sources, a similar measure will be implemented at airports in the countryside at any moment.

Since the military intervention, which had been planned by President Rafael Caldera's administration several days ago, all airport operations, including local and international flights, have remained normal.

Air Traffic Returns to Normal; Controllers Dispute Continues

PA2102194895 Caracas Venezolana de Television Network in Spanish 0200 GMT 21 Feb 95

[From "The News" newscast—passages within quotation marks recorded]

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[FBIS Translated Text] Air traffic returned to normal today following the government's decision to militarize the country's airports. But air traffic controllers have appealed the Fifth Civilian and Mercantile Court's ruling which favors businessmen in the air transportation sector. At the same time, the controllers have asked the Prosecutor General's Office to mediate in this conflict.

The executive branch has therefore not yet ruled out the possibility that a dialogue could resume. But the executive has also warned that it could pursue further legal action that might result in the dismissal of the aeronautical technicians. This information was passed on to several sectors throughout the country. The labor minister said that the government's latest action is one of the recourses available to resolve the situation, especially since the air traffic controllers did not even try to reach a solution through dialogue. He called for all involved to use good judgment and confirmed that the controllers' requests are illegal.

[Labor Minister Juan Nepomuceno Garrido] "The national interest of Venezuela must be held above any group interest. We must search for solutions and not resort to illegal action."

Interior Minister Ramon Escovar Salom offered his good offices to help further a dialogue, but he also said that the controllers who were arrested might face trial.

[Escovar Salom] "The government is firm and maintains its position. This position has the country's support. You can confirm this with the public; you will learn that the people agree with the government's decision. This country demands authority. The government is exercising it in this case and will continue to do so, because we cannot allow ill-intentioned rumors to take over all the country's activities."

[Prosecutor General Ivan Dario Badell] "I have specifically assigned two prosecutors from the Maiquetia jurisdiction to this case. I have also instructed all prosecutors in Venezuela to settle any offenses and take steps against any violations of the human rights of those people you have mentioned."

Meanwhile, the air controllers staged a mass protest in front of the Prosecutor General's Office and demanded that the government stop the raids and hostilities they have suffered ever since the country's airports were militarized. The air controllers, aided by their lawyers, demanded that the prosecutor's office help them. According to them, security organizations have arrested four members of their union. A few of the controllers were even reportedly arrested during their emergency meeting on Monday.

[Attorney Maria Gabriela Olavarria] "We fear for the physical safety of each and every one of the boys because they have been conducting raids, one here today and another one tomorrow. We don't see any sense in all this."

But the air technicians insist on denouncing the poor conditions of the airport radar and similar equipment and the risks that this daily poses to passengers.

[Air traffic controller Wilfredo Garcia] "When the lights of the Caracas-La Guaira freeway are turned on, so much static electricity is created that the radar's imaging system is affected. A false radar echo is created, wherein the radar's target, normally an airplane, apparently moves in a direction opposite to the direction it should follow. If we cannot keep track of these planes, what your most recent instructions to them were, you can imagine how great the risk that there will be a collision really is."

Therefore the Attorney General's Office will undertake a judicial investigation on behalf of and at the instruction of the Fifth Civil Court, the same court that ruled for the owners of the air transportation companies.

[Ombudsman Celia Marquez] "A number of our prosecutors throughout the country are keeping close tabs on the current situation in each of our airports, especially the international airports."

Fortunately, the mediation of the Prosecutor General's Office has offered the air traffic controllers some tranquility.

[Wilfredo Garcia] "The defense will commission two prosecutors to go to where our colleagues are being held, in the DIM [Military Intelligence Directorate], to investigate the reasons for their arrest."

Deputy Walter Marquez also offered his services as a mediator.

[Deputy Walter Marquez] "Congress has an institutional interest in the search for a solution. I am going to meet with the air traffic controllers, with the Prosecutor General's Office, and with all parties involved."

But the workers have appealed the ruling of the Fifth Civil Court, which orders them to halt the slowdown they began on Wednesday.

[Judge Humberto Mendoza] "An appeal can be filed by either of the parties. A consultation is a mechanism through which a lower court may send its decisions to a higher court to be reviewed or changed."

Following the filing of an appeal by the legal representatives of the air traffic controllers, Humberto Mendoza, judge of the Fifth Civilian and Mercantile Court, will have to remit the file to a superior court which will hand down a definitive ruling on the air controller's conflict, which has left the country's airports militarized.

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